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Despite being the most "Scottish" of products, relatively little of the whisky distilled in this country is produced by companies ultimately controlled from within Scotland. What is more, the externally-controlled sector expanded significantly during the 1970s in a manner unseen since the arrival of the North American distilling giants in the immediate post-war years, once again raising the spectre of foreign domination of our (original) national drink.

Registration in Edinburgh provides only the roughest of guides, and the definition adopted here is location of ultimate control; thus a Glasgow-based company acquired by a London-based holding company is deemed to have been externally acquired even where the degree of day-to-day control exercised by the acquirer appears minimal. By this definition the largest firm in the industry, Distillers Company, would not be regarded as Scottish, despite its decentralised management structure.

Two problems bedevil analysis of ownership and control in the whisky industry. The first is the complex pattern of ownership, with a network of distilling, blending and broking companies intertwined with holding and shell companies, all of which serve to obscure the location of control. This can be an interesting exercise in its own right, revealing some unlikely combinations such as aerospace group Hawker Siddeley's 75% interest in six Scottish distilleries. However, even tracing the ownership history of the companies does not give the full picture of changes in the pattern of ownership. The distilleries themselves frequently change hands, one result of the product being unusually location-specific. It takes many years for whisky from an individual distillery to develop a distinctive and acceptable flavour, which goes a long way to enhancing its value to its owner, and makes acquisition of an established distillery a much more attractive proposition to a potential incoffer than a "greenfield" investment.

In sharp contrast to the 1960s, when ownership remained fairly steady, between 1971 and 1981 twenty of Scotland's 117 malt whisky distilleries passed out of Scottish ownership. (The figure of 117 refers to workable rather than working distilleries. Several have been mothballed). This reduced the proportion of Scottish-controlled distilleries - and employment - from 38% to 21%; English companies control just over half the distilleries and employment, the remainder being foreign controlled, mainly from North America. These changes are outlined below.

Even this table does not fully illustrate the extent of the whisky merry-go-round within the externally-controlled sector. In 1975 Long John International moved from US to English ownership, as did Littlemill Distillery Company last year. To complicate matters further, Bladnoch Distillery was recently acquired by Arthur Bell & Sons, thus reverting to Scottish control.

The second problem lies in deciding whether a company is Scottish.

The reasons for the rush of takeover activity are not difficult to trace. Whisky
As well as being a profitable investment during most of the 1970s, the industry was characterised by several ripe takeover targets. Several companies, including some quoted ones, paid the price for being too long family controlled, and found themselves in a position in which adherence to the family name had little usefulness other than some romantic attachments. Frequently the only means of obtaining the funds necessary for expansion - or survival - was by being acquired, so that the strategy became one of damage minimisation by the selection of an approach to a suitable partner, precisely the tactic adopted by at least three of the companies in the table above.

Inevitably the takeover of any Scottish company by outsiders produces the stock response of fear of plant closures and job losses. As indicated earlier, whisky is unique in its location pattern and in the legal requirement that whisky must be distilled in Scotland to be called "Scotch". But this requirement does not apply to the blending and bottling operation which account for 60% of employment in the industry, an area highlighted by the recently-announced decision by Distillers to close two such plants at South Queensferry and Glasgow with the loss of over 700 jobs. In fact there appears to be little evidence of a loss of employment through external acquisition; by and large the acquired companies have experienced a similar employment decrease to that in the industry as a whole, a fall of 20% since the peak of 25,000 in 1978-79, although the long term effects of bulk as opposed to bottled exports remain uncertain.

Three factors combine to make it no coincidence that there has been a lack of major whisky takeovers since 1979. The present recession, making whisky a less profitable investment in the short to medium term, a lack of suitably-sized takeover targets following the numerous takeovers of the previous decade, and the Monopolies Commission's decision in 1980 to block the Hiram Walker bid for Highland Distillers have all played their part. The last factor in particular has served to dampen the thrill of these traditional whisky acquirers, the large North American distillers, and the major English brewers appear disinclined to expand to any significant degree their purchases of the mid-1970s. For future developments in the externally-controlled sector we may have to look to two sets of actors who have as yet

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**SCOTCH WHISKY COMPANIES EXTERNALLY ACQUIRED 1971-81**

| Year | Acquired Company | Ultimate Acquired Distillers | No.of
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1971</td>
<td>Littlemill Distillery Co.</td>
<td>Berton Brands (US)</td>
<td>2</td>
</tr>
<tr>
<td>1972</td>
<td>Tullibardine Distillery Co.</td>
<td>Cartron Industries (UK)</td>
<td>1</td>
</tr>
<tr>
<td>1972</td>
<td>Beamont Distillers</td>
<td>Cartron Industries (UK)</td>
<td>1</td>
</tr>
<tr>
<td>1973</td>
<td>MacRye Distilleries</td>
<td>Distillerias-y-Gronomas (Spain)</td>
<td>1</td>
</tr>
<tr>
<td>1973</td>
<td>Gladstone Distillery</td>
<td>Publickser Industries (US)</td>
<td>1</td>
</tr>
<tr>
<td>1974</td>
<td>S Campbell &amp; Son</td>
<td>Pernod-Ricard (France)</td>
<td>1</td>
</tr>
<tr>
<td>1976</td>
<td>Wm. Teacher &amp; Sons</td>
<td>Allied Breweries (UK)</td>
<td>2</td>
</tr>
<tr>
<td>1976</td>
<td>The Glenlivet Distillers</td>
<td>Seagram (Canada)</td>
<td>5</td>
</tr>
<tr>
<td>1979</td>
<td>Whyte &amp; Mackay Distillers</td>
<td>Lomhio (UK)</td>
<td>3</td>
</tr>
<tr>
<td>1981</td>
<td>Glenbucket Distillery</td>
<td>Courvieu (France)</td>
<td>1</td>
</tr>
</tbody>
</table>

Note: In addition to the above, two malt distilleries moved out of Scottish ownership during this time without the acquisition of a Scottish company.
played only a supporting role in the
drama.

Europe

Although still tiny, the European presence
in Scotch whisky is nevertheless growing.
Five malt whisky distilleries are now
controlled by European companies, the
first acquired as recently as 1972 by
Omnia-Limbourg, a front company for
Martini Rossi. Since that time Pernod-
Ricard and Cointreau of France and DYC of
Spain have moved in, albeit on a modest scale.

For some of the European incomers direct
investment in whisky comes after years of
activity as overseas agents for Scotch
whisky distillers and blenders. For
those inexperienced in the art and
peculiarities of whisky such investment
can be a trying experience; unlike some
other spirits Scotch requires a great deal
doing in distillation and blending, and
the cost of maturing a good whisky for at
least three years can be considerable.
Nevertheless, the European presence seems
here to stay, as the recent purchase by
Pernod-Ricard of a second distillery
(Edradour in Perthshire) would indicate.

The question remains whether the Europeans
will feel sufficiently confident to move
into whisky in a big way. They
undoubtedly have the financial resources
to do so; one European company reputedly
gave serious thought to buying Long John
International before that company was
acquired by Whitbread. However, judging
by past behaviour the signs are that at
least until the market for whisky picks up
European control will expand distillery by
distillery rather than by the acquisition
of a major whisky company.

A Hint of Eastern Promise?

The jokers in the pack remain the
Japanese. There has in the past been
limited direct investment in Scotch from
Japan, giants Suntory holding a 12% stake
in the Glenlivet Distillers before the
takeover by Seagram. Suntory may well have
coveted ownership of the most prestigious
name in the business, but as yet the
Japanese have made clear of buying either a
distillery or a distilling company.
Perhaps they feel that this most traditional
of industries is not yet ready for the full
blast of Japanese efficiency, or are simply
sensitive to the strength of feeling which
such a move would invoke. However, a more
likely explanation is that the Japanese do
not yet feel that such a major step is
necessary.

Japanese direct foreign investment in
Britain and Europe has traditionally been
defensive in character, notably where an
important market is threatened by barriers
to trade; in the case of whisky they may
feel obliged to act to protect an important
source of supply. At least in the
foreseeable future Japan has a vested
interest in the continuance of bulk malt
whisky exports from Scotland which can be
admitted with local produce to create blended
whisky for home consumption and for re-
export. In the longer term the strategy
may be to gradually promote the Japanese
product in its own right in important export
markets like Australia without reference to
its Scotch content, allowing an eventual
reduction in the use of Scotch malt whisky.

In Scotland the question of bulk exports
remains vexed. Supporters argue that it is
an important export earner which means that
exporting companies can provide more jobs.
Opponents claim that the practice allows
otherwise inferior foreign blends to be
sufficiently improved to compete in world
markets with blended Scotch, that it
ultimately threatens blending and bottling
operation in Scotland which provide so many
jobs, and that it is akin to selling the
birthright of the genuine article. Pressure
to restrict voluntary exports has come from
a variety of sources, including non-bulk
exporting companies, trade unions, and the
NEDC. Such appeals to consider the future
of the industry have so far produced from
the pro-bulk lobby a terse restatement of
Keynes' famous comment on the long run,
perhaps understandable in an era of
shrinking world markets. Should this
attitude change, however, and voluntary
restriction of bulk exports become a real
possibility, we may experience yet another
Japanese dawn raid.