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Diageo announces restructuring plans in Scotland

1 July 2009

Diageo, the world's leading premium drinks company, today announces proposals for significant restructuring of its Scottish business.

The planned restructuring follows a major review looking at how Diageo can best ensure the long-term sustainability of its operations in Scotland in the current economic conditions.

The resulting plans – backed by a £100 million investment – will mean an overall reduction of up to 500 jobs in Scotland. The closure of Diageo sites in Kilmarnock and at Port Dundas in Glasgow will lead to the loss of up to 900 jobs over the next two years while around 400 new jobs will be created through the expansion of a packaging plant in Fife. A new coopering centre will be created in Clackmannanshire. There would be no compulsory redundancies at impacted sites for 12 months.

These plans – for implementation over the next two years – will be an important part of securing the long-term competitiveness of Diageo's Scottish business and, by retaining all existing production activities in Scotland, underpin the company's continuing commitment to Scotland.

The detailed outcome of the review proposes the following:

- Consolidation of packaging operations from three sites to two. This would result in the closure of the Kilmarnock Packaging Plant in Ayrshire over a two-year period with the loss of approximately 700 jobs by the end of 2011. To maintain its competitiveness Diageo would concentrate investment on two locations in Glasgow and Fife. The Kilmarnock plant faces infrastructure limitations and Diageo believes that investing in the two other sites will ensure a sustainable future for its Scottish packaging operations.
- An £86 million investment to expand the Leven Packaging Plant in Fife. This would include the construction – subject to planning approval - of a new packaging hall to open in mid-2011 and the creation of approximately 400 new jobs. The company hopes that a number of these jobs would be taken by employees transferring from Kilmarnock.
- The Shieldhall Packaging Plant in Glasgow would receive a further £3 million investment on top of the £15 million invested in the plant over recent years. This investment, along with some changes in working practices, would result in the loss of 30 jobs at the site.
- The closure of Port Dundas Distillery in Glasgow and the adjacent Dundashill Cooperage. These plans would result in a loss of up to 140 jobs although it is hoped that some employees would relocate to a new

cooperage in Central Scotland. Diageo believes its long-term grain whisky requirements can be best met through continued expansion of the Cameronbridge Distillery in Fife. Cameronbridge has already received £40 million investment in the last two years. In addition, a £65 million investment announced last year – believed to be the largest ever by a private company outwith the utilities industry – will create a bioenergy facility that will ensure Cameronbridge meets the highest environmental standards.

- Relocation of approximately 80 office-based employees from Dundas House in Glasgow to another location in Central Scotland over the next two years.
- A new £9 million cooperage to be built at Diageo's existing site at Cambus near Alloa by summer 2011. Diageo's nearby Carsebridge Cooperage would be closed. The relocation of around 40 roles from Carsebridge Cooperage to Cambus, together with some roles relocating from Dundashill Cooperage, would bring the total number of jobs at the new Cambus Cooperage to about 70.
- Operations currently undertaken at the Hurlford consolidation warehouse in Ayrshire will be contracted to third party logistics company, Malcolm Group. The 64 despatch warehouse jobs at Hurlford will be transferred under TUPE regulations and Diageo will exit the site in early 2010. This proposal supports a more cost effective and efficient way of working for the whole logistics network. The 36 remaining Diageo jobs at Hurlford would be relocated to other sites.
- Haulage of distillery co-products will be contracted to third party transport company, McPherson Ltd. The 16 associated jobs based in Speyside will be transferred under TUPE regulations. This proposal is aimed at achieving more flexible and cost effective handling of co-products movement.

Having communicated its plans, Diageo will now engage in formal consultation with employees.

Bryan Donaghey, Managing Director of Diageo Scotland, said: "These decisions have been extremely difficult to take. We have only reached them after an exhaustive review of all the possible alternatives. I am sorry for the impact this announcement will have on our employees and their families in Kilmarnock and Glasgow and the difficulty this will cause in Kilmarnock where we are a major employer.

"We believe the plans announced today will help secure the sustainability of our business in Scotland. As Scotland's largest manufacturing exporter, 85% of our output from Scotland is exported to over 180 markets worldwide. We therefore need to be competitive in a global context and the restructuring announced today is a key part of this.

“Our plans and the associated £100 million investment reflect the strength of Diageo’s continued commitment to Scotland. With these changes, Diageo would still employ nearly 4,000 people across the country.

“We will do everything we can to support our employees through this difficult time. We will also work closely with local political and community leaders in Kilmarnock so that together we can seek to address the impact this announcement will have on the town.”

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Notes to editors

- TUPE - Transfer of Undertakings (Protection of Employment)
- Malcolm Group - www.malcolmgroup.co.uk
- McPherson Ltd - www.mcpherson.ltd.uk

About Diageo in Scotland:

- Scotland is one of Diageo’s largest spirit supply centres responsible for producing nearly 50 million cases of leading brands of Scotch Whisky and white spirits and over four million cases of Ready To Drink brands annually.
- Around 85% of Diageo’s brands produced in Scotland are sold overseas.
- Diageo in Scotland currently employs around 4,500 people.
- Diageo currently operates 28 malt distilleries and two grain distilleries. As well as engineering and technical support functions, there are extensive warehousing operations, which store up to 7 million casks of maturing spirit, and the company’s Scottish headquarters in Edinburgh.
- Packaging is currently focused at three plants in Scotland: Leven in Fife handling white spirits, Ready To Drink products and Scotch malt whiskies; Kilmarnock in Ayrshire bottling the complete range of deluxe Scotch whiskies; and Shieldhall near Glasgow, the largest plant of its type in the industry, packaging Diageo’s high volume Scotch Whisky brands.

For further information about Diageo in Scotland, visit www.diageo.com/scotland.

About Diageo

Diageo is the world's leading premium drinks business with an outstanding collection of beverage alcohol brands across spirits, wines, and beer categories. These brands include Johnnie Walker, Guinness, Smirnoff, J&B, Baileys, Cuervo, Tanqueray, Captain Morgan, Crown Royal, Beaulieu Vineyard and Sterling Vineyards wines.

Diageo is a global company, trading in more than 180 countries around the world. The company is listed on both the New York Stock Exchange (DEO) and the London Stock Exchange (DGE). For more information about Diageo, its people, brands, and performance, visit us at Diageo.com. For our global resource that promotes responsible drinking through the sharing of best practice tools, information and initiatives, visit DRINKiQ.com.

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For further information relating to the announcement, visit www.diageoscotlandannouncement.com.

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