

# Labatt to close Toronto brewery

## Beer production moved to Montreal, London, Ont.; 265 jobs to be lost

By **RICHARD BLOOM**

Published: Friday, April 1, 2005

TORONTO -- Union brass at **Labatt Brewing Co.'s** Toronto production facility told workers two weeks ago that grim news may be on the horizon after staff found documents noting spending at the plant would fall to zero in 2006.

"The capital expenditures in Toronto disappeared while rising smartly in Montreal and London [Ont.] . . . That was a pretty good clue," Cam Nelson, president of Service Employees International Union Local 2, said referring to the documents.

Early yesterday morning, Labatt management informed its 265 Toronto plant workers that the facility would be shuttered for good in November and their jobs eliminated.

Labatt spokesman Bob Chant would not comment on the union's recent meeting, saying the closing comes after an "extensive" 18-month review of the company's brewery network and that the decision was made earlier this week.

Mr. Chant said the Toronto plant has the potential to produce 2.4 million hectolitres of beer (there are 12.2 cases of 24 bottles of beer in one hectolitre) each year but was only producing 1.6 million hectolitres. By comparison, he said, Labatt's London plant can make 2.9 million hectolitres while the Montreal facility can produce 3.2 million hectolitres.

Mr. Chant would not comment on London and Montreal's current productivity. He said, however, that when the Toronto production is shifted to those other plants, they will be operating at 90 per cent efficiency.

"The cost of expanding Toronto to the extent required to absorb the volume of London and Montreal is dramatically higher than the decision we're taking today . . . it's a very black-and-white, business-based decision," Mr. Chant said.

Labatt, a division of Belgium-based **InBev SA**, the world's largest beer producer, will reportedly spend \$25-million (U.S.) to expand its London facility, which will become its sole Ontario plant.

But it wasn't only a bottom-line decision, according to **Michael Palmer**, president of **Veritas Investment Research Corp.** and a veteran beer industry analyst.

"Bottom line: If you pull Labatt out of London, it's a public relations disaster," **Mr. Palmer** said. "It won't be noticed that much in Toronto."

Labatt, which makes more than 60 brands of beer, was founded in London in 1847 by John Kinder Labatt. It is a major presence in that city, employing hundreds of people and sponsoring that city's hockey arena.

**Mr. Palmer** said other forces also triggered the Toronto closing.

"Labatt simply has too much capacity," he said, adding that a combination of flat sales growth and a price war in the key Ontario market with rival Molson Coors Brewing Co. and Sleeman Breweries Ltd. has caused brewers in this country to cut costs in order to boost profits.

The shutdown is the second closing in six months for Labatt. In September, the firm said it would shutter its New Westminster, B.C., plant and lay off 180 workers.

Teresa Cascioli, the owner and head of Hamilton rival Lakeport Brewing Corp., said Labatt and Molson are losing customers to the low-cost and premium beer producers. For example, she argued, beer drinkers don't want to pay \$35.50 for a case of Labatt Blue or Molson Canadian when they can buy a nearly identical product from the discount players for about \$24 a case.

What's more, the industry is falling prey to foreign ownership regimes, she said. "There isn't that personalized decision making any more. You have a guy looking at a piece of paper saying 'what should I do?' . . . They're across the pond, they're not here."

Union president Mr. Nelson agreed. "The world has changed. This is globalization at its most damaging."

While the Toronto plant workers weren't shocked by the news, it was devastating nonetheless.

"I call it 'Black Thursday,' " forklift operator Ed O'Toole, 57, said.

Lou Skubic, 44, a 25-year veteran and a shop steward, was visibly shaken as he pondered his future. "I've got six kids . . . it's hard."

Despite the layoffs, one thing was evident: The workers were proud to make Labatt's beers -- as evidenced by the majority wearing Labatt jackets, sweatshirts and baseball caps. "We're a brotherhood," Mr. Skubic said.

The plant, on a 14-hectare site off Highway 401, was built in 1970. Mr. Chant said it will be sold.

### **Canada's Big Two**

Labatt and Molson Coors have 85 per cent of Canada's beer market.

#### **Labatt operations:**

New Westminster, B.C. (to close in April)

Toronto (to close in November)

Creston, B.C.

Edmonton

London, Ont.

Montreal

Halifax

St. John's

#### **Molson Coors operations:**

Vancouver

Edmonton

Toronto

Montreal

St. John's

Golden, Colo.

Memphis (to close in 2007)

Moncton, N.B. (to open in 2006)

Elkton, Va. (to open in 2007)

Molson closed plants in Barrie, Ont., in 2000, and Regina in 2002.