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The Gothenburg system, monopolies and the community good

In late Victorian Britain, social and temperance reformers initiated a lively debate about how to encourage civilised drinking and dissuade intoxication through the dual mechanisms of improving the ambience and the serving practices of the public house: the pub. Community or municipal ownership of licensed hotels was one strategy for doing this, together with ‘disinterested’—rather than profit-driven—management. This style of ownership, known colloquially as the Gothenburg system, was put into practice in parts of Britain and in Sweden. In the 1890s, these ideas filtered through to influence developments in Australia, particularly South Australia, where, over several decades, 12 community-owned hotels were established in rural towns as a way of benefiting the community and improving amenities. These hotels (nine of which are still trading under community ownership today), distributed a portion of their profits for the good of the community and the betterment of the town. They also aimed to discourage heavy drinking by providing a family atmosphere with access to food and non-alcoholic beverages.

The Gothenburg system provides a useful analytical lens through which developments in the Indigenous domain in Australia can be considered. Commencing in the 1970s with financial assistance from newly constituted business-oriented government agencies such as the ADC, several Indigenous community-based associations purchased licensed hotels.

They hoped to achieve many of the same aims as their non-Indigenous counterparts: to reform drinking premises, control excess and direct profits to community needs. These ideas influenced the policy climate that allowed licensed social clubs and canteens to be opened in remote Indigenous communities. In the case of the narcotic drug kava, used in some Aboriginal communities in northeast Arnhem Land, regulated access and a monopoly over sales was seen as preferable to prohibition. Nineteenth- and early twentieth-century arguments for and against the principles underlying Gothenburg-style hotels, and the debates between citizens, abolitionists and publicans, provide a foretaste of the political and community agitation that accompanied Indigenous forays into social and commercial liquor enterprises in Australia in the 1980s and 1990s.

The 'Scandinavian plan'

The notion that excessive drinking could be moderated by removing the commercially driven profit motive from alcohol sales and replacing it with a softer, community-benefiting rationale, seems to have originated in Scandinavia in the mid-nineteenth century. The idea gave birth to a liquor-control model that came to be associated with the city of Gothenburg.

Gothenburg was Sweden's second city: a commercial town and seaport that suffered deep poverty and increasing degradation under the 'blight and curse' of the drink traffic (Pitman 1877: 220). Despite being a well-educated town with a system of compulsory education and philanthropic schools for poor children, it had a culture of extreme spree drinking of spirits. Sweden had a strong temperance tradition; however, rather than opting for prohibition, as had other Scandinavian countries, Gothenburg chose to experiment with restrictive alcohol-control measures that had been tried in the smaller town of Falun (Room 1993: 173). The guiding principle of the system was to disconnect the sale of alcohol from the profit motive, thereby reducing the pressured selling that led to excess consumption and intoxication. The system proposed ownership of licensed premises by a semi-private trust that regulated the sale of spirits on philanthropic principles. The shopkeeper selling strong liquor was restricted to taking only 5 per cent profit, with the municipality, county and state dividing any additional profit (Brown 1972, Blocker et al.

2003: 603). Licensed outlets were to be run by ‘disinterested’ and salaried managers who had no pecuniary interest in pushing sales of alcohol. As one supporter explained:

The secret of most of the mischief now worked by the [liquor] trade is that the monopoly of the sale of liquor is connected with private interests ... The brewer, the distiller, the publican, the shareholder, are all deeply interested in promoting the sale of liquor. (Wilson 1894: 7)

Eliminating the stimulus of personal gain from a legitimate commercial activity was a revolutionary idea. It was based on the belief that the ‘drink traffic’, as it was called, was so abnormal that it should be treated differently to other kinds of trading activity (Pitman 1877: 223).¹ The system was originally targeted at working-class restaurants in Sweden, but it also provided for municipal ownership of taverns and was later extended to shops providing off-premise sales of spirits. Spirits such as *brännvin*, a type of vodka distilled from potatoes and grains, were the most damaging drinks, while ale and beer were considered barely intoxicating at all. Apart from civilising the drinking act and minimising social disruptions related to drinking, the system aimed to improve standards in licensing, make alcohol subject to local control and cut out any political influence on the trade (Room 1993). The authorities could control the licences and minimise drunkenness while the community shareholders received a return on capital, with any surplus going to the municipal coffers.²

In 1865, a charter was granted by the Swedish Government and a *bolag* (company) was formed with the following objectives:

- to reduce the number of public houses
- to improve their condition as to light, ventilation, cleanliness
- to make public houses eating houses where warm, cooked food was available at moderate prices
- to refuse sale of spirits on credit or pledge

1 The sentiment that alcohol differs significantly from other consumables and trade items was reiterated 116 years later when a major World Health Organization–sponsored study was given the name *Alcohol: No Ordinary Commodity* (Babor et al. 2003).

2 In Bergen, Norway (where the system started in 1877), the beneficiaries of the company’s profits included the orchestra of the Christiania theatre, the Young Men’s Association, civic plantings, fountains, the Society for Homeless Youth and the Country Housekeeping Society (Gould 1893: 190).

- to employ as managers respectable persons who should derive no profit from the sale of spirits, but should be entitled to profits from the sale of food and other refreshments, including malt liquors
- to secure strict supervision of all public houses by inspectors of their own, in addition to the police
- to pay to the town treasury all the net profits of sales of spirits. (Pitman 1877: 223)

Similar monopoly companies established in Scandinavia mandated other rules, such as not selling to those intoxicated or underage, and some employed their own police detectives to monitor breaches on premises. Most of these principles are recognisable within modern alcohol-control policies as harm-reduction strategies; indeed, since the nineteenth century, strong evidence has accumulated that government monopolies on the manufacture, supply and sale of alcohol tend to result in reduced harm. Seven countries belonging to the Organisation for Economic Cooperation and Development now permit a state-owned monopoly at some stage in the alcohol production and sale cycle. According to a 2005 review of regulations:

Unlike private suppliers with a strong profit motive, a state-owned monopoly can pursue other objectives including restricting the volume and availability of what it supplies. Rather than seek to innovate and expand the number of markets, a state-owned liquor monopoly has no incentive to, for example, introduce alcohol milk products or alcohol-caffeine mixes or to advertise heavily. On the contrary, it can price discriminate to suppress demand for most popular items and those appealing to high risk drinkers especially. The benefits to health outcomes from this approach would need to be balanced against the economic loss that will result from monopoly. (Marsden Jacob Associates 2005: 38; cf. Babor et al. 2003)

What became known as the 'Scandinavian plan' was vigorously debated and implemented to varying degrees in the United Kingdom (Wilson 1894, Brown 1972), the United States (Pitman 1877, Gould 1893, Gordon 1911, Room 1993) and Australia (Malins 1899, Butler 1899). The United States Commissioner of Labor was interested enough to send a statistician, ERL Gould, to Scandinavia to investigate and collect data on the system. Gould (1893) subsequently compiled an impressive and positive overview that included data on intoxication, alcohol-related symptoms and deaths and rates of refusals of entry to premises, and reported a notable decline in drunkenness. He concluded:

That the system is perfect no-one will be sanguine enough to maintain; but that it represents the best means which have yet been devised for the control of the liquor traffic where licensing is permitted ... few who ... have studied its operation would be bold enough to deny. (243)³

In the United States, United Kingdom and Australia, the Scandinavian plan had two main groups of opponents: brewers and ‘licensed victuallers’ versus ardent teetotallers. The latter group comprised people ‘who do not think a reform is worth having while they can dream of abolition’ (Wilson 1894: 14). As it turned out, the Gothenburg system never became a national policy in Sweden. However, in 1917, the country endorsed an alcohol policy featuring two measures, the first of which carried through the idea that the profit motive should be eliminated in the alcohol trade. The second measure aimed to control an individual’s purchases of alcohol through a system of ration books. Temperance boards with local knowledge made decisions based on social and moral behavioural standards about whether individuals could obtain ration books that gave them access to alcohol (Blocker et al. 2003: 605, Room 2012). Similar controls have operated in some Aboriginal communities in Australia: in the Northern Territory, for example, permit committees made up of local people (the equivalent of the ‘temperance boards’) made decisions about whether individuals were fit to hold permits to obtain alcohol.

‘Gothenburg’ in Britain

Like the United States, Britain was intrigued by the Swedish system because it offered a middle way through the policy deadlock between two warring factions: the reforming restrictionists and the teetotal prohibitionists (Greenaway 2003: 71, 1998). The Swedish system represented a form of liquor control that was grounded in acceptance of the use of alcohol; however, by controlling where and how alcohol was sold, ‘sought to structure and influence the use so as to limit the social and health harm from drinking’ (Room 2004: 330). Britain had debated

3 Several American states implemented versions of the Gothenburg system in the 1890s as a better alternative to prohibition, but the movement ultimately succumbed to the activities of the Anti-Saloon League and the advent of National Prohibition in 1920. Following the repeal of prohibition in 1933 (and concerned to avoid old evils), American investigators recommended regulation policies for the states, proposing a state monopoly for distribution and retail package sales or, alternatively, the development of state-based licensing systems. Most states adopted licensing systems, but 17 instituted some form of monopoly. These have lasted remarkably well; only two American states have since ended their retail distribution monopolies (Room 1993, Cook 2007: 2).

the system since the 1870s, and politicians, temperance advocates and interested citizens had visited Scandinavia to see it for themselves; these individuals helped to disseminate knowledge about the 'Scandinavian plan'.⁴ Politicians who travelled to Gothenburg for a firsthand assessment included Liberal member Joseph Chamberlain.⁵ Once a supporter of prohibition, Chamberlain had come to believe that access to alcohol was both 'socially necessary and morally correct, while abstinence was counter to all facts' (Brown 1972: 34).⁶

Permutations of the Gothenburg system thrived in Britain some years later when philanthropist, temperance advocate and Quaker capitalist Joseph Rowntree⁷ took up, and later refined, some of its underlying principles. Rowntree and his associate, Arthur Sherwell, linked the need for licensing reform with solutions to the poverty associated with urban industrial expansion. They attributed excessive drinking to two factors: first, the monotonous lives of working people and lack of 'rational recreation' that might offer them an alternative to drink; and second, the push for profits by the liquor trade. Rowntree and Sherwell saw money raised from the trade in liquor as compensation money. They believed that liquor should be sold by publicans who were 'disinterested' in profits, and that social reform should include the provision of civic amenities that acted as counterattractions to the pub (Gutzke 1989, Greenaway 1998, 2003: 70). The idea of disinterested management represented an early example of what we now call corporate social responsibility (Talbot 2015). Across Britain, semi-philanthropic public house trusts were

4 For example, enlightened theologian James Wilson preached a sermon in the north of England on 'Temperance Sunday', 18 November 1894, in which he extolled the virtues of the Scandinavian plan (Wilson 1894).

5 Chamberlain (1836–1914) was a Unitarian—a social reformer but not a socialist. He was the father of future British Prime Minister Neville Chamberlain.

6 In the 1870s, Britain's Liberal party had a strong prohibitionist bloc and was closely linked with the United Kingdom Alliance, a teetotalism society. Conversely, the Tories were supported by the publicans (Brown 1972: 31). The liquor industry comprised powerful and unscrupulous businessmen who intimidated cabinet ministers and other members of parliament, magistrates and town councils, and were seen as being politically corrupting (Gutzke 1989: 52).

7 Joseph Rowntree (1836–1925) was a Quaker, businessman and philanthropist. There are many charitable trusts in the United Kingdom that bear his name, such as the Joseph Rowntree Foundation, which supports innovative and policy-oriented research, including research into temperance issues (cf. Berridge 2005, Cadbury 2010).

formed to acquire, and then improve, licensed pubs by implementing disinterested management practices: there were 60 in Scotland, usually in mining communities.⁸

The People's Refreshment Houses Association (PRHA), founded in 1896, was the most successful of these schemes. Shares were offered to the public who were eligible for a dividend of not more than 5 per cent. Surplus profit went to public utilities and officers of the PRHA were elected. Member-run public houses provided temperance drinks and food as well as beer (Rowntree & Sherwell 1903, Greenaway 1998, Burnett 1999: 132). Public houses belonging to the PRHA were mostly small village inns, some of which were described in Rowntree and Sherwell's 1903 publication on British Gothenburg experiments. A typical inn in Somerset had a monopoly on local trade and sold the full range of liquor, but had small off-premises sales, gave no credit and had no advertising of alcoholic beverages anywhere on the premises. Instead, there were conspicuous advertisements for tea, coffee and temperance drinks and a ready supply of food. The manager was paid a fixed salary and received most of the profit made on the sale of food, mineral waters, cigarettes and tobacco, but not alcohol. If the manager thought a drinker had had enough, they pre-empted harm by putting their finger up as a warning sign that they would refuse further service (Rowntree & Sherwell 1903: 23). Another description of trust house hotels emphasised the food and counterattractions available. Instead of a large bar dominated by rows of bottles, the saloon was taken up with 'sociable tables' where people consumed pea, lentil and barley soups. In Northumberland, *The Grey Arms* reportedly also sold a new item—fried potato chips 'for which a considerable demand seems probable'. The hotel had a lawn outside, a reading room and a billiard room. Another public house was run by a village council and its profits provided for a community nurse, an ambulance wagon and entertainment hall (*West Gippsland Gazette*, 14 April 1903: 5).

8 In Prestonpans, East Lothian, Scotland, there is a hotel known as the Prestoungrange Gothenburg, or 'The Goth', that still runs on the Gothenburg principle. It was created in 1901 by a private trust known as the East of Scotland Public House Trust. The Trust was set up by eight investors sympathetic to temperance ideals who wanted to take the profiteering out of selling alcohol while promoting the sale of food. Its profits are gifted to the Prestoungrange Arts Festival. There is also a 'Goth' hotel in Armadale, West Lothian (Armadale Public House Society 2001, Prestoungrange 2004). There has recently been a revival of cooperative hotels in Britain, as villages 'save' their local pubs by buying them (Jones 2017: 13).

The benign imagery associated with the trust house scheme provoked some lampooning at the time, epitomised in a satirical poem 'The Bishop and the Scandinavian plan'.⁹ In it, a Bishop invites a customer into the 'sweetest little parlour, on the Scandinavian plan' and explains that 'the House is carried on with most benevolent intent/And on Temperance Societies the profits are all spent':

Yes! I cannot put it clearer, in explaining our intent,
It is to benefit mankind—and pocket five per cent.
So please walk into my parlour, and be drinking all you can,
You will find it very pleasant on the Scandinavian plan ...
The Scandinavian plan, my boys! The Scandinavian plan!
By far the strangest thing there's been since first the world began!

Despite this mockery, there was support from the Fabian Society for community-run public houses. George Bernard Shaw, a well-known Fabian, joined one of the PRHA's and, in 1901, the 4th Earl Grey became chairman of the largest of the trust associations (Warner 2006, Room 2004). If pubs could not be abolished, then they should be improved:

British Gothenburgers wanted to reform the pub, not destroy it; broaden its patrons, not make it synonymous with plebeian culture; introduce middle-class values in behavior and speech, not ostracize drinkers; and above all imbue it with respectability, not cast it out as reprehensible. (Gutzke 2007: 238)

Gutzke saw Gothenburgers as progressives who championed order, discipline, cultural uplift and the influence of the environment on drinking behaviour; were intent on diminishing drunkenness by improving the physical and interpersonal settings in which alcohol was consumed; and hoped for the 'civilizing influence of the upper and middle classes'. By the turn of the century, there was widespread acceptance of the trust principle in Britain. This was largely because the 'public house is recognized as a public necessity, and that therefore it is desirable to convert it from a mere drinking bar into something resembling, as much as possible, a well-conducted club' (Smyth [1904] 2013: 249). As we shall see, these ideas—that drinking could be 'civilised' both by altering the physical and social environment in which it took place and by allowing respectable citizens to contribute to the management of hotels—began to appear in Australia as well.

9 The Bishop referred to in this ditty was the Bishop of Chester, United Kingdom, who launched the PRHA, a trust designed to run pubs based on the Scandinavian Gothenburg system (International Order of Good Templars 1890, Rowntree & Sherwell 1903, Gutzke 1994).

Gothenburg ideas arrive in South Australia

The Gothenburg system—in the form of community ownership of hotels—was especially influential in South Australia. The principles of moderated alcohol sales, citizen participation in hotel governance and the quarantining of profits for the betterment of the community, had great appeal in South Australia because respectable immigrants, not convicts, had settled there. Many of these immigrants had favoured non-conformist Christianity. The colony of South Australia soon developed a reputation for self-help and communal agricultural settlement, especially along the Murray River (Whitelock 1985, Casson & Hirst 1988). These underlying factors combined to support community ownership of hotels in Renmark in the 1890s.

The town of Renmark was part of a pioneering irrigation colony established in 1887 on the Murray River by two Canadian irrigators, the brothers George and WB Chaffey. Both were teetotallers. The South Australian Government gave the Chaffey brothers the right to use 100,000 ha of land north of the river to establish an irrigation system with private capital, which enabled them to establish a colony of like-minded people. The Chaffey brothers and local residents wanted the Renmark area to be dry and advertised it to prospective settlers accordingly. In 1891, the South Australian Licensed Victuallers Act was amended to allow the Chaffey brothers' colony to be dry; the Victorian Government made a similar ruling for the Chaffey's nearby colony at Mildura, which was also set up as a temperance colony. Ironically, the irrigation systems initiated by the Chaffey brothers made extensive plantings of vines possible, resulting in the eventual production of wine and brandy in the region, along with dried and fresh fruits.¹⁰ Renmark and Mildura (and many other towns, particularly in Victoria) already had unlicensed 'temperance hotels' that offered board and lodging, but no alcohol. Influenced by the temperance movement, such hotels were often coffee palaces with grandiose facades and fittings designed to compete with the taverns (Room 1988).¹¹ Their popularity declined over the years as residents agitated for licensed

10 In 1911, Dr WT Angove and his sons created the first winery and distillery in the upper Murray at Renmark (Jones 1994: 287). After World War I, blocks of land in the region became part of the scheme to repatriate returned servicemen; they often grew dried fruit.

11 The best known of these temperance hotels in Victoria is the Windsor Hotel, Melbourne. In 1886, it was known as the Grand Coffee Palace and sold no alcohol for 10 years until a successful application was made to remove the prohibition in 1897.

premises, which is what occurred in Renmark and Mildura.¹² After several years, Renmark's form of local prohibition was deemed a failure because it was not possible to stop sly grog from flowing into the area: paddle steamers unloaded kegs of beer that were broached where they lay, creating 'a club under every ti-tree' (Johnson 1997: 8). The road from the temperance colony of Mildura to the nearest source of alcohol at Wentworth was delineated by a trail of bottles (Lapthorne 1947).

In June 1895, with a story headlined 'A hotel wanted', the editor of the *Renmark Pioneer*, Chris Ashwell, triggered debate about the need to deal with this sly grog trade. Although temperance principles had been appropriate in the early days of the settlement, the population was larger now and Ashwell asked why residents of Renmark should 'be deprived of privileges enjoyed by other communities of similar population?' He had heard about the Gothenburg system that was already being debated in nearby Mildura:

The sister settlement of Mildura has been at various times strongly agitated on this question, and last year an informal vote¹³ was taken on the subject, resulting in a very large majority voting for the establishment of houses on somewhat the same system as that known as the Gothenburgh [sic] ... [We] may advocate a like scheme for Renmark without laying ourselves open to the charge of running counter to temperance principles.¹⁴

Ashwell believed that Renmark would be a municipality one day, and that it could form a trust to have sole control over the sale of spirits and employ a manager who would have no interest in pushing the sale of drink, the net profit of which could be devoted to improving the settlement's roads. Over the following weeks, arguments for and against the establishment of a licensed hotel were printed in the newspaper. Many of these would be familiar to Australians today (particularly those who live in the Northern Territory). Temperance advocates objected to Ashwell's idea, describing it as a weak alternative to prohibition. The local Methodist pastor, Reverend

12 The Grand Hotel at Mildura (originally the coffee palace) was fully licensed in 1919 along with three clubs, which helped to 'minimize the sly grog traffic which had been rife for so many years' (Lapthorne 1947: 18–19).

13 The results of this informal vote in Mildura in 1894 were as follows: continuing the existing system, 9; an ordinary hotel system, 77; Gothenburg system, 284; total prohibition, 15 (*South Australian Register* 1 August 1894: 5).

14 Editorial, *Renmark Pioneer* 15 June 1895: 2. Despite the earlier vote in favour of a Gothenburg hotel in Mildura, it never eventuated. Dissenting voices questioned the 'extravagance' of the claims made for the Gothenburg system and argued that having such a hotel would simply introduce an extra bar into the town.

W Corly Butler, insisted that it would be foolish to reverse the existing 'dry' status of the land, but his argument was countered by another correspondent who stated that:

It is a well-known fact that there is far less drunkenness in a township with a well conducted hotel, under the careful supervision of the police, than when it is prohibited, and instead of being done openly is carried on to a far greater extent by those who are unwilling to be coerced and will therefore keep it in their own houses. (*Renmark Pioneer* 1895: 4)

Further, it was argued that if a man could get an occasional drink at reasonable hours 'he would be much less likely to make a beast of himself'.¹⁵

A Renmark Local Progress Committee (RLPC) was formed to pursue the community hotel idea, and the South Australian Licensed Victuallers Act was amended to allow a publican's licence to be granted specifically for a community-run business, provided a majority of local householders signed a petition requesting it. There was a counter petition, but the vote was carried. Despite his misgivings, Butler signed the RLPC's petition, believing that anything would be better than sly grog and hoping that the system would 'prove a restraint on the drink traffic' (Butler 1899: 3). The RLPC approached Mrs Jane Meissner (who had owned the town's temperance hotel since 1892) to see if she would sell her business, which she agreed to do. A local station-owner provided the funds and, in March 1897, Mrs Meissner was appointed manager of the licensed Renmark Community Hotel, the only legitimate liquor outlet in an otherwise dry district covering several thousand square kilometres of South Australia (*The Argus* 1922, Young & Secker 1984: 574, Johnson 1997): the sly grog shops reportedly closed immediately. The nearest settlement was the communal agricultural village of Lyrup, 20 km away, where the only alcohol allowed was a supply of medicinal brandy that was kept under lock and key by the doctor (Jones 1994). The Renmark Community Hotel claimed at the time, and has claimed since, to be the first community hotel in the British Empire (Renmark Community Hotel, no date, Johnson 1997).

It was decided that the hotel licence should be held by an elected committee of five community members, all of whom had to be approved landholders resident in Renmark. No member of the committee could have an interest in any retail business associated with the sale of alcohol, other than the

¹⁵ *Renmark Pioneer* 29 June 1895: 2.

produce of their own vineyard. The first chairman of the committee was an Anglican clergyman. In keeping with Gothenburg principles, the hotel manager was to be paid a regular salary to eliminate any inducement to 'push' sales. After expenses had been paid, the hotel profits were to be used for the cultural and general betterment of the settlement of Renmark—that is, 'in the promotion or encouragement of literature, science, or art or for charitable or benevolent purposes or otherwise as the Committee shall decide and the Honorable the Treasurer shall approve' (Johnson 1997: 14).

Critics of the Renmark Gothenburg

Notwithstanding the positive outcomes that would soon be claimed for the Renmark Community Hotel, it, and the system it represented, were not without detractors. Although Butler had signed the petition supporting the hotel's establishment, in the months following its opening, he became a critic of the way it was operating. He believed the system 'was as baneful as the ordinary licensed house'. Although it had killed off the sly grog trade, he argued that:

The service of drink in [the Renmark Hotel] was under no more restraint than in any respectable hotel in Perth, and that for a small and impoverished community the drink bill was very high. (Butler 1899: 3)

Butler was adamant that the community-owned hotel at Renmark did nothing more to lessen drunkenness than any ordinary hotel would have done. He may well have been right, but in view of the fact that most of the hotel's customers had been used to drinking sly grog, in the open, with no constraints other than the limits to supply, it is hardly surprising that drinking styles did not change overnight. At least 13 sly grog shops had been operating for a population of around 1000, and these drinkers—many of whom were itinerant agricultural workers—had yet to be habituated to the behaviours expected of them when drinking on legitimately licensed premises. More than 100 years later, a similar crisis of compartment occurred in the Western Australian town of Fitzroy Crossing when Aboriginal drinkers, who had been used to drinking takeaway alcohol in the open air, were suddenly forced by new regulations to change their drinking style and drink on (rather than off) premises; this episode is discussed in Chapter 7.

Another critic was an English Wesleyan, Joseph Malins (1844–1926), who visited Australia on a round-the-world mission for the Order of Good Templars, a teetotal society. Two years after the opening of the

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Renmark Community Hotel, he spoke in Melbourne at the Collins Street Independent Church. By this time, Malins, like many others, had visited Norway and Sweden to see for himself their liquor-control systems at work. While he agreed that the Gothenburg *bolag* had reduced the number of public houses and the hours of sale in their premises, he pointed out that other drinking houses, not under the immediate control of the *bolag*, continued to open until late; this, of course, is always a problem when restrictions only target some outlets. Malins also questioned whether paying a manager a salary instead of a commission on sales of spirits was really enough to make them ‘disinterested’. He believed that the apparent drop in drunkenness charges was due to changed policing practices rather than changed drinking practices, and claimed that the city of Gothenburg was *more* inebriated than Aberdeen in Scotland or Cardiff in Wales. His final, acerbic comment (aimed specifically at Rowntree and Sherwell’s trust house scheme in Britain), was that:

When Jews open pork shops, and vegetarians open butcher’s shops then teetotallers may run public houses, or elect others to run them. All true Temperance men want power granted to the people to deal *with* the traffic, not to embark *in* it. (Malins 1899: 6, original emphasis)



Fig. 2 Renmark Hotel, South Australia

Source: M Brady

Despite this and other criticisms, the Renmark Community Hotel continued to flourish. In 1922, it was reported that the hotel manager made every attempt to encourage sobriety; that there had been no reported breaches of licensing laws; and, on the basis of population, that the figures for drunkenness were lower in Renmark than in any other part of the state (*The Argus* 1922). The hotel announced good profits that year and £20,000 were devoted to extensions. Two years later, the hotel hoped for £10,000 a year for distribution to the township. At that time, the hotel had 70 rooms, dining for 120 people and a staff of 35; plans were in place for a new bar with marble floors, blackwood furnishings, modern pumps and ice chests. In 1936, an art deco three-storey frontage was built that can still be seen today.

Debate over community-owned hotels

As word spread among towns along the Murray River, interest in establishing community hotels moved elsewhere in South Australia and extended into Victoria and New South Wales. The story of Renmark's success was reiterated and promulgated as a model that other towns should follow. In the decades after the Renmark Community Hotel opened its doors, newspapers across Australia and New Zealand published largely positive articles about the Gothenburg system, sometimes referred to as the 'Earl Grey system'.¹⁶ It was described as an admirable scheme:

Every [public] house has a well-furnished tea-room, and nearly every one has a tea-garden in which customers can enjoy themselves rationally in the company of their wives and children. This is the true line of temperance reform. Offer a man something better than the privilege of getting fuddled, and nine times out of ten he will gladly take it.¹⁷

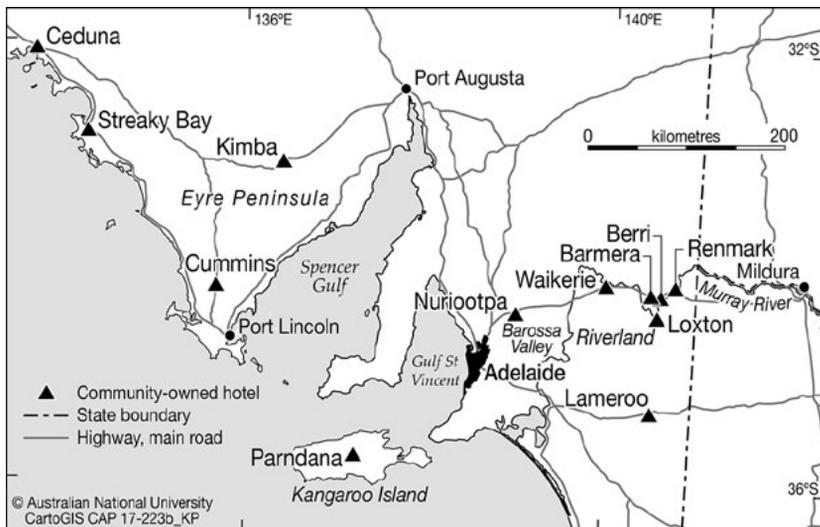
Inspired by Renmark, Waikerie (originally a communal village settlement on the Murray River) established its own community hotel in 1912. In the 1930s, several nearby towns followed suit, voting in favour of

16 'English drink question. The Earl Grey system', *West Gippsland Gazette* 14 April 1903: 5; 'Earl Grey's Trust "Pub"', *Northern Territory Times and Gazette* 2 July 1914: 8; 'Growing interest in community hotels', *Recorder* (Port Pirie) 5 January 1939: 1. *The New Zealand Herald* carried a story titled 'The Gothenburg system in Australia: Successful introduction in Renmark' on 12 May 1898: 6.

17 *Northern Territory Times and Gazette* 2 July 1914: 8. Similar optimistic visions accompanied early suggestions for licensed clubs in remote Aboriginal communities in which drinking facilities were intended to stress family gatherings, the provision of soft drinks and food and counterattractions such as pool and darts (Leary et al. 1975).

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local monopolies and for the restriction of other liquor licences in their districts. Barmera opened a community hotel in 1932, and Berri opened one in 1937. The community at Loxton applied for a licence in 1934 and, in 1946, the Loxton Hotel finally became community-owned. This meant that five neighbouring towns, connected physically by the Murray River and linked philosophically through their shared history of the temperance-oriented irrigation colony, now had community-owned hotels.¹⁸ Several small towns in South Australia opened community hotels in subsequent years: Nuriootpa in the Barossa Valley bought its hotel in 1937; in the far west, Ceduna citizens bought their hotel in 1949; Kimba residents followed suit in 1951; and the hotel at Streaky Bay became community owned in 1965. All these hotels were to be managed for the residents, with profits devoted to public purposes in the area (Young & Secker 1984).



Map 1 Past and present community hotels in South Australia, 1897–2015

Source: CartoGIS, The Australian National University

In other locations, politicians, aldermen and prominent citizens advocated for community hotels in preference to privately owned establishments. Their reasons were threefold. First, there was concern about the perceived

¹⁸ In South Australia, the *Community Hotels (Incorporation) Act, 1938* [No. 2407] made this proliferation possible. The Act validated the incorporation of several of these hotels under an earlier one, the *Associations Incorporation Act 1929–35*, dspace.flinders.edu.au/jspui/handle/2328/24937.

growing influence of the liquor industry because of its donations to political parties: community ownership was seen as a way of countering this unwanted trend. In 1939, discussing the possibility of a community hotel in Port Pirie, local dignitaries spoke of the profitability of the liquor trade and the immense sums that were being poured into political propaganda by liquor interests:

It should be an offence to demand from hotelkeepers a contribution to any fund or to include an amount in the wholesale price of liquor which would be contributed by the breweries to such a fund. It is said by hotelkeepers that amounts from such funds are distributed for political purposes to assist the candidature of certain persons at elections. In order that we may ultimately be freed from the thralldom of brewers I suggest that the hotels should be owned by the community and not made the vehicles of private gain.¹⁹ (*Recorder* [Port Pirie] 1939: 1)

Second, these prominent citizens were supporters of moderation and were in favour of the harm-reduction qualities that would ideally be embedded in such hotels. Under the Gothenburg system, one alderman stated, credit was given to a hotel 'not for the quantity of liquor it sold, but for the moderation of its sales and the sobriety of its patrons'. Third, and most importantly, the local variation on the Gothenburg system appealed to politicians, local councillors and civic-minded citizens because of its revenue-raising capability. Local and state politicians were interested in community hotels because they provided a substantial stream of locally generated income that could be devoted to local needs. The community-owned Renmark establishment had become well known in South Australia, not just for the 'high standard of accommodation and service it offers', but for the '*huge sums* it has earned for expenditure on town beautification and other civil purposes' (*Recorder* [Port Pirie] 1939: 1, emphasis added).

As community groups in towns in New South Wales and Victoria began to agitate for policy changes that would make such hotels possible, their lobbying caught the attention of temperance activists and organisations such as the WCTU. Taking a hard line rather than a reformist position, these organisations were thoroughly opposed to the idea of community licences. As part of their campaign against community hotels, they argued

19 It is worth pointing out that liquor industry representatives still curry favour with politicians. According to the Australian Electoral Commission, in 2012–13, the Australian Hotels Association (representing hoteliers nationally) was the largest political donor in the country, with most of its donations being directed to the Liberal party (d'Abbs 2014: 21).

that good people were being led away by ‘specious arguments’ (Wilson 1946: 1). In 1946, remarks from the Temperance Alliance questioning the supposed successes of the Renmark Community Hotel were broadcast by a Sydney radio station. The speaker suggested that community ownership encouraged a ‘mob spirit’, which encouraged more drinking, and that donations to charity, which amounted to a small percentage of overall profits, allowed the hotel and the liquor trade to acquire a ‘false respectability’. Temperance activists publicised details of the Renmark Community Hotel’s revenue, which showed that, although a record profit of £12,000 had been made in 1944–45, of which £3,000 had been distributed to local causes, £43,752 had been spent on alcohol in the hotel’s bars to secure this amount. The speaker accused the Renmark Community Hotel of donating to Christian organisations to ‘buy off’ the temperance cause, and claimed that donations were made in expectation of favours to come. Similarly, a WCTU pamphlet published in 1945 made use of detailed sales data from the Renmark Community Hotel to demolish its claims of generosity, observing that such gifts were merely ‘a salve to the consciences of the promoters and the public, blinding them to the deterioration which takes place in the lives of their most regular customers’ (McCorkindale 1945: 1).

The supposed success of ‘disinterested management’ was also questioned by the WCTU. It pointed out, somewhat sardonically, that there were no records of a community hotel manager being commended for reporting a *decrease* in bar trade. On the contrary, increased sales led to the manager being congratulated, commended and even paid a bonus in some instances. The author of the 1945 WCTU pamphlet, Isobel McCorkindale (1885–1971), was a Scottish-born activist who organised campaigns against liquor licences and extended opening hours. A great promoter of fruit juice, she was known for her use of scientific rather than emotive arguments against alcohol.²⁰ Her pamphlet warned against making community-owned hotels part of any ‘community centre’ set up for the benefit of a neighbourhood. She concluded, perceptively, that:

20 McCorkindale reported on the Carlisle scheme of state ownership in the United Kingdom, which began during World War I as a means of controlling liquor sales and thus safeguarding workers and the war effort in an industrialised area of naval bases, dockyards and munitions factories. Managers reported redesigned pubs with better facilities, sales of food and non-intoxicants and the elimination of private interests in liquor sales (Shadwell 1923). However, McCorkindale claimed that there had been no reduction in consumption as a result.

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The effect of alcohol is just the same on the individual whether it is sold over a bar owned by a private individuals [sic] or one in which the community is interested. There is something about the liquor traffic which does not fit in with an effort requiring goodwill and selflessness. (McCorkindale 1945: 4)

Many temperance activists were women. Their arguments foreshadowed a campaign by Aboriginal women who objected to the proposed establishment of a community-owned club in Alice Springs nearly 50 years later. Like their white counterparts in the WCTU, the Aboriginal women held to an abolitionist position that was intolerant of the notion of 'social' moderate drinking. While they acknowledged the good intentions of those who supported the club, they argued that even if it were owned and run by Aboriginal interests for Aboriginal customers, it would still amount to an additional liquor licence in a town already awash in alcohol. The rise and demise of the Alice Springs club is discussed in Chapter 5.



Fig. 3 WCTU Offices, Hutt Street, Adelaide

Source: M Brady

Compromising the Gothenburg vision?

The South Australian community hotels experienced their heyday in the first half of the twentieth century, after which some of their monopoly status came to an end. Increasingly subject to competition, they were placed under greater pressure to increase sales to maintain viability, as predicted by their temperance critics. Three of the original 12 community-owned premises in South Australia went broke and their leases were sold to commercial operators.²¹ Community hotels became more exposed to competition after legislation was introduced in 1967 abolishing their monopoly in towns such as Renmark, Berri and Barmera. Young and Secker,²² in their 1984 review of the South Australian Liquor Act, described Section 105, which allowed for restriction on the number of licences in Riverland communities, as ‘anachronistic’. The government’s decision to repeal Section 105 was the final defeat of temperance thinking in the old irrigation colony towns. Subsequently, townspeople who wanted to limit the number of hotels in their district would have to convince a central licensing authority of the merits of their position (Young & Secker 1984: 575).²³ Although monopolies still exist today, they are somewhat tenuous. As one hotel manager interviewed for this study (in 2015) explained: ‘If our hotel was not a monopoly, we would have no choice but to sell aggressively, spend more on marketing [and] happy hours, as the hotel must survive. This would be contradictory to the community’.

Depending on their location, most community-owned hotels in South Australia must now compete with other alcohol outlets to varying degrees. The original Gothenburg-style principles that animated such hotels have been sacrificed and compromises made. Bearing out the criticisms and fears of temperance activists such as McCorkindale, commercial considerations now appear to be paramount. In Ceduna, for example, while the stated purpose of community ownership of the hotel echoes some of the original Gothenburg principles—such as no private individual receiving monetary benefit from the profits—other Gothenburg principles—

21 The nine remaining community-owned hotels in South Australia are in Barmera, Berri, Ceduna, Lameroo, Loxton, Nuriootpa, Parndana, Renmark and Waikerie. The three that have sold their leases are Cummins, Kimba and Streaky Bay.

22 At the time of the review, Andrew Secker was a public servant: he later became the Liquor Licensing Commissioner for South Australia.

23 In their review of South Australia’s liquor licensing laws, Young and Secker (1984: 21) promoted what they believed was ‘cautious liberalisation’. Contrary to considerable research evidence, they were of the view that liberalising trading hours and increasing the number of liquor outlets would neither significantly increase consumption, nor make alcohol-related diseases worse.

such as reducing harm by controlling alcohol sales—are not explicitly addressed. The hotel aims to be as profitable as possible so as to return profits to the local community and develop facilities to attract tourism and create job opportunities.²⁴ Improvements to the hotel itself have been made possible by the hotel's substantial income from its takeaway bottle shop and poker machines, both of which have arguably had negative effects on the community. In 1973, when the town's first drive-in bottle shop opened, the hotel's annual turnover 'rocketed' to \$396,000; the drive-in facility boosted bottle sales by 75 per cent. Over the years, many Aboriginal people from Yalata (200 km west) purchased bulk supplies of alcohol, mostly fortified wine, from the bottle shop. In 1999, the hotel celebrated its 50th anniversary by replacing the existing modest drive-in with an enormous structure that dominated (and still dominates) a major intersection in the town. By purchasing liquor in larger quantities, the new facility could sell at lower prices (Trewartha 1999: 55, Brady et al. 2003). Several years earlier, in 1994, the hotel had introduced poker machines. Used enthusiastically by local Aboriginal people, these became a major source of revenue for the hotel.²⁵ While the revenue from poker machines contributes to the hotel's ability to make community distributions, the cost is high, particularly for Aboriginal people who comprise nearly 25 per cent of the population in Ceduna's Local Government Area. Poker machines draw resources from these extremely disadvantaged people, many of whom live in remote communities.

South Australian rural towns took on the spirit, if not the detail, of the ideas of disinterested management and municipal control that typified the Gothenburg system.²⁶ Although only the hotel at Renmark explicitly described itself as Gothenburg-style, it was this hotel that popularised the system and prompted the diffusion of community ownership. What caught the eye of other towns was the potential of profit distribution; as time passed, the distribution of monies became the paramount interest.

24 This was stated on the hotel's website, accessed 10 November 2014, cedunahotel.com.au/history.

25 In 1998, an Aboriginal community 200 km away from Ceduna successfully objected to an application for a gaming machine licence from a nearby roadhouse. The Liquor and Gaming Commissioner agreed with the community's lawyer that the people could 'ill afford' to gamble on poker machines, and that such machines had the potential to drain a substantial amount of money from already poor communities and to increase violence.

26 Despite the compromises that have modified the original idealistic goals for community hotels in South Australia, community-owned enterprises continue to engage with local residents in ways that normal commercially run premises do not. They publicly state they are community owned, display lists and photographs of board members, support local charities, provide local employment and training, engage in harm-reduction strategies and nurture their local customers and communities.

The community hotels idea was diffused among neighbouring towns: some were linked by shared identities as river towns or irrigation communities; some had shared histories of self-help and local cooperative enterprise; others had Lutheran origins and leanings towards alcohol regulation rather than outright prohibition. The notion of community ownership was also borne along on a wave of optimism about temperance and liquor reform and the potential to ‘civilise’ drinkers and drinking: in some cases, it was an integral part of the creation of towns or garden cities that were designed to enhance the wellbeing of citizens.



Fig. 4 Window at the Vine Inn, Nuriootpa

Source: M Brady

The community hotels of South Australia and the Gothenburg system that inspired them juggled inherently paradoxical goals and principles. The hotels and the Gothenburg system were mechanisms designed to build-up assets ‘in trust’, as it were, for the benefit of citizens. However, such assets and benefits were simultaneously responsible for—or at least morally implicated in—any negative effects of the socially volatile commodity involved: alcohol. This paradox was highlighted in later decades when several Aboriginal communities (and the government agencies that advised them), began to take an interest in buying licensed hotels and establishing Indigenous community boards of management.²⁷

²⁷ The first hotel purchased by Aboriginal interests was the Finke Hotel, Northern Territory, in 1975—a purchase made possible by the federal Minister for Aboriginal Affairs.

In the case of hotels owned by Indigenous interests, the paradoxical goals and moral dilemmas were intensified because of the unrelenting social hazards of alcohol for Aboriginal people.

Indigenous economic development agencies

Indigenous groups were interested in the idea of community ownership for a number of complex reasons. Like the politicians, aldermen and citizens who supported the Gothenburg system, Indigenous groups and several of their advisory agencies were attracted to the notion of 'keeping the money in the community'. They liked the idea of profits benefiting locals (rather than income from alcohol sales going to commercial businesses or breweries), and they used this argument to support both Indigenous hotel purchases and licensed social clubs in remote Indigenous communities. Like the Gothenburgers, they eschewed prohibition and were interested in reforming—rather than abolishing—the pub. Indigenous communities also wanted greater local control over alcohol sales, as this would enable them to bypass tortuous negotiations with reluctant publicans and licensing authorities. Finally, righteous justice motivated the purchases of hotels that had humiliated Aboriginal people by excluding them; this is discussed in Chapter 6.

In the early 1970s, self-determination policies facilitated the legal incorporation of regional Aboriginal communities, lands trusts and advisory councils. This built on earlier efforts to inspire Aboriginal 'self-help' organisations, proprietary companies and cooperatives. Public policy at this time was increasingly constituting Aboriginal leaders, elders and councillors as Indigenous 'trustees' who ostensibly took the place of the state (Smith 2002) in supervising other Aboriginal people. In 1976, a new Commonwealth Aboriginal Councils and Associations Act provided for the constitution of Aboriginal councils and for the incorporation of Aboriginal associations as vehicles of development and empowerment (Rowse 2015). This development, together with the creation of quasi-government agencies that provided structured funding programs for economic development, allowed Aboriginal associations and an emerging Aboriginal cadre of leaders²⁸ to obtain funds for hotel purchases and

28 Such leadership, it should be pointed out, was almost entirely male; indeed, some organisations, such as Land Councils, explicitly excluded Aboriginal women, arguing that land was 'men's business'.

other business enterprises. Unlike the non-Indigenous towns mentioned earlier, whose citizens were able to raise bank loans, mortgage businesses, or contribute private resources to buy their local hotels, impecunious Indigenous groups sought loans or grant monies from Indigenous-specific economic development agencies, such as the ADC and its successors. The Indigenous groups that received such monies were expected to abide by the policies and investment strategies of the funding bodies.

The ADC was established as a statutory corporation in 1980. Through its housing loans, business programs, small business loans and a community enterprise development scheme, it had the general aim of furthering goals for Aboriginal and Torres Strait Islander people that were broadly defined as economic and social (Commonwealth of Australia 1989a: 7, WS Arthur 1996). In a sense, the ADC operated as a means of stimulating what we would now call 'social enterprise': economic activities with social goals (Defourny & Nyssens 2006, 2010). In view of later developments, the articulation of social goals (as well as economic ones) in the ADC's founding objectives is significant. The ADC was intended to assist Aboriginal people to engage in business enterprises, including non-profit enterprises that provided facilities for social purposes. In keeping with its social and economic goals, the ADC's investment policy was broad—perhaps too broad. Its investments included housing companies, pastoral properties, a theatre company, tourist accommodation, an indoor cricket centre, cattle stations and a shopping centre in Alice Springs. It also funded the purchase of several licensed public hotels by Aboriginal community associations. Some of the ADC's investments had mixed success or were outright failures.²⁹ There were examples of administrative weaknesses and poor decision-making, such as the purchase of several Kimberley cattle stations that had been left in poor condition by their previous European owners.³⁰ As a result, in 1988, the Minister for Aboriginal Affairs, Gerry Hand, began to clamp down on the ADC and a no-confidence motion was passed against its chair, Shirley MacPherson.³¹ Eight ADC commissioners were sacked (Guest 1988: 1). Tough questions were asked about the ADC at a Senate Estimates Committee, particularly about the role of Charles Perkins, and an Audit Office investigation was ordered

29 One notable failure was the purchase of the Oasis Hotel in Walgett (see Chapter 6).

30 This criticism was made by Fitzroy Valley Aboriginal people who believed that the ADC had been 'ripped off' when it made the cattle station purchases (Marshall 1988).

31 Shirley MacPherson was made chair of the ADC in 1986; she resigned in 1989. She was followed by Lois O'Donoghue who presided until the end of the ADC in February 1990.

into several of the ADC's investments (Australian Audit Office 1989). Despite some legitimate concerns, it is extraordinary that the Audit Office criticised what it called the ADC's 'undue emphasis' on *social* goals, such as promoting employment and creating social facilities. In May 1989, Minister Hand demanded that the ADC focus on the commercial viability of funded projects. Legislation governing the ADC was tightened with the addition of a clause preventing it from using monies from the general fund for business enterprises unless the ADC was satisfied that the enterprise would be *commercially successful* (Pratt & Bennett 2004). However, in light of subsequent developments, it is significant that the minister did not oblige the ADC to avoid commercial investment that was detrimental to the community.

Somewhat surprisingly, the ADC did not have a specific policy on alcohol. No particular safeguards were built into the loans or enterprise development grants used for the purchases of hotels—such as, for example, a proviso that an alcohol-related business should balance commercial viability with the expectation that it would cause no harm. However, the ADC did make an official comment on alcohol advertising. In July 1983, the ADC released a document entitled 'Views of the commissioners on alcohol related problems and the advertising of alcoholic beverages' that focused on concerns about the promotion of alcohol and over-glamorisation of drinking in advertising and the absence of health warnings.³² The ADC made several perceptive recommendations, including the need for a comprehensive collation of statistical data on alcohol abuse problems in each state and territory, and an analysis of the relative costs and benefits of alcohol production, promotion, sales and the problems associated with its abuse (ADC 1983: 35). While acknowledging that the ADC was not primarily concerned with providing welfare services, the commissioners nevertheless felt that 'they would be seriously remiss if they were to ignore the problems associated with alcohol abuse'. The commissioners made it clear that they were 'well aware of and most concerned by the ravaging effects these have on Aboriginal people' (ADC 1983: 3). Yet, these concerns did not prevent the ADC from playing an integral role in the

32 Charles Perkins was particularly incensed about alcohol advertising. In 1985, Perkins and Bob Huddleston (an Aboriginal man who worked on alcohol issues for the Department of Aboriginal Affairs [DAA]) started a committee against alcohol advertising and placed advertisements in the press calling for restrictions on media advertising of alcohol (cf. *The Australian* 20 December 1985: 5). Their campaign, which did not specifically mention Aboriginal people, was targeted at the entire population.

purchase of three public hotels and one club with a primarily Aboriginal clientele—decisions that were enthusiastically supported by Charles Perkins (1936–2000), chair of the ADC from 1980 to 1984.³³

The ADC and the Department of Aboriginal Affairs (DAA) were superseded and amalgamated within a new organisation, the Aboriginal and Torres Strait Islander Commission (ATSIC), in 1990. ATSIC took over the ADC's functions, such as loans for housing and commercial businesses, that had had both economic and social objectives. The ATSIC Act created the Aboriginal and Torres Strait Islander Commercial Development Corporation (CDC).³⁴ The CDC's primary function was 'to engage in commercial and financial activities' under strictly commercial lines; it was designed to sharpen the focus on economic self-sufficiency and economic development. Rather than facilitating social enterprises, the CDC described itself as advancing Indigenous 'economic interests'; it stressed 'sound business principles' and emphasised the importance of helping Indigenous people to 'break free from the web of dependency' (WS Arthur 1996).³⁵ However, from the perspective of many Aboriginal people, much of the business activity supported by the CDC was oriented towards the accumulation and distribution of *social capital*. As Martin (1995) observed (using examples from Cape York), no provision was made for targeting financial profit, nor was any provision made for monitoring the social impact of business enterprises. It appeared that the social goals and community development orientation that had been written into the ADC's original brief had, by 1990, disappeared under a renewed emphasis on accountability and profit-making.

The CDC was replaced by Indigenous Business Australia (IBA) in 2001. The IBA's investment policy continued to stress commercial and financial activities. In 2001, for example, the IBA purchased a 42.86 per cent share in the Crossing Inn at Fitzroy Crossing, Western Australia, evidently believing that it would be a solid commercial investment. As discussed in Chapter 7, it was indeed a solid commercial investment, but the hotel was also directly implicated in widespread alcohol-related harm, which caused the IBA and local Indigenous shareholders considerable public embarrassment.

33 ADC funds were used to purchase the Oasis Hotel, Walgett (1983); the Transcontinental Hotel, Oodnadatta (1986); the Woden Town Club, Canberra (1988); and the Crossing Inn, Fitzroy Crossing (1988). See Chapter 6.

34 The passage of the original ATSIC legislation introduced by the Hawke Labor Government was delayed because the opposition, led by John Howard, had strong objections to the notion of ATSIC, seeing it as a form of separatism (Pratt & Bennett 2004–05).

35 www.iba.gov.au/about-us/our-history/.

Kava—A short-lived monopoly

Kava is another example of a mood-altering substance whose sale was controlled by a government-sanctioned, Aboriginal-owned business. Like the Gothenburg system, a monopoly was established to regulate, rather than abolish, sales of kava, and the profits from the monopoly were used to finance projects for the benefit of the community.

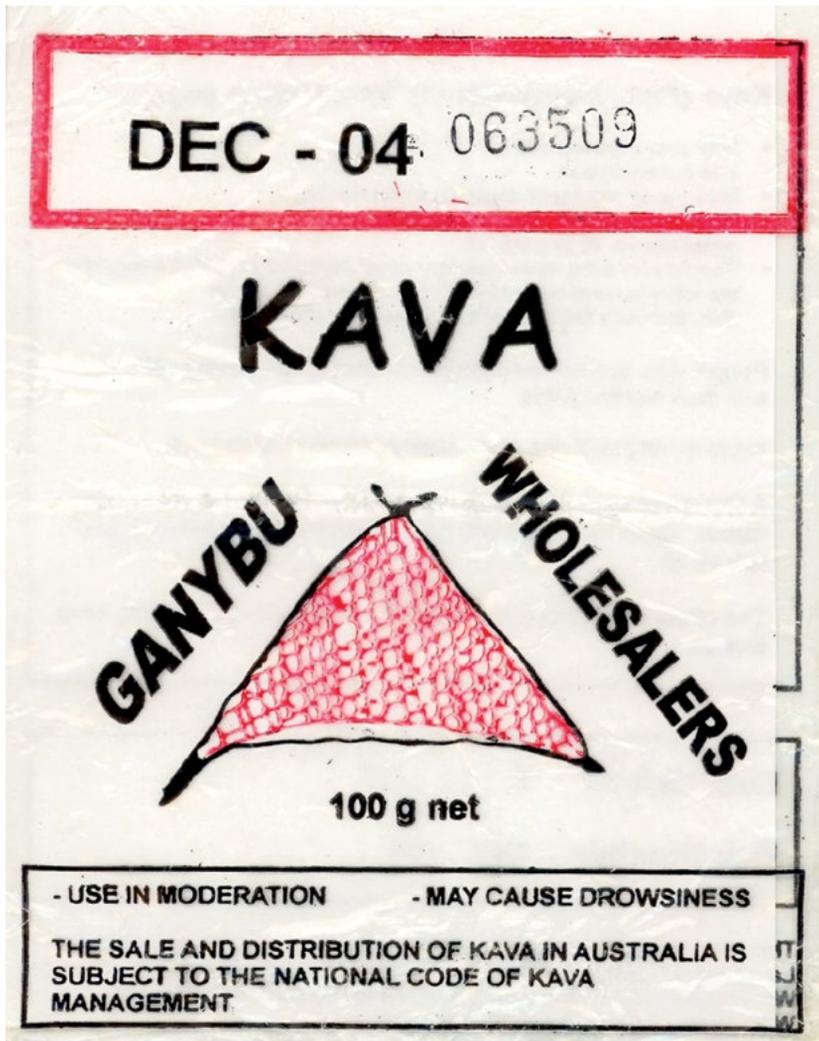


Fig. 5 Kava packet, Ganybu Wholesalers, Yirrkala, 2005

Source: M Brady

Made from the root of *Piper methysticum*, the psychoactive narcotic drug, kava, was introduced in the 1980s from the Pacific to several northern coastal Aboriginal communities. Aboriginal men visiting Fiji experienced the kava ceremony and, impressed by its tranquillising properties, saw kava as an antidote to the trouble that seemed to accompany alcohol; they asked for supplies to be made available. With the help of Uniting Church ministers, some of whom were of Pacific Islander descent and used kava themselves, the practice of drinking kava spread across east Arnhem Land communities. In Fiji, kava consumption was apparently benign and socially integrative (Lebot et al. 1992, Katz 1993). By contrast, its enthusiastic take-up by men, women and children in Arnhem Land, together with the relative absence of any drinking rules or learned self-control strategies, resulted in heavy consumption. Its popularity caused controversy about its health effects, prompting expressions of concern by Northern Territory health authorities (Alexander 1985, Cawte 1988, Gregory & Cawte 1988, Matthews et al. 1988, d'Abbs 1995, Clough et al. 2000, Clough & Jones 2004). The federal and territory governments' policy approaches to managing kava were indecisive, swinging wildly from tolerance and harm reduction to total prohibition. After originally taking a laissez-faire approach, the Northern Territory Health Department ran a health education campaign urging caution; it gave advice on hygiene, warned pregnant women not to drink kava and reminded people that kava was 'not part of Aboriginal ceremonies' (*Northern Territory Aboriginal News* 1989: 9). The trade in kava eventually prompted intense criticism of the Uniting Church, whose employees were accused of 'profiteering' from kava sales (Cawte 1988, d'Abbs 1995). In 1998, the Northern Territory parliament passed a Kava Management Act that created licensed kava areas, strictly regulated the supply and possession of kava and introduced fines for 'trafficable' quantities of the drug (Territory Health Services, no date).

An Aboriginal organisation, Laynhapuy Homelands Association Inc. (LHA), became the sole licensed wholesaler and distributor of kava for the Northern Territory. Member-owned, the LHA had a board of 12 Yolngu members and represented 16 Yolngu clans living in 19 homeland centres across northeast Arnhem Land (LHA 2008). Its kava distribution company, Ganybu Wholesalers, bought supplies from a Fijian company and sold to licensed retailers in six Aboriginal communities who were able to onsell to residents at a limit of 400 g per week per person.³⁶ The retailers

36 100 g bags of powdered kava sold for \$15 (Ric Norton, pers comm, 19 August 2005).

were in communities that had, of their own volition, banned alcohol and made a conscious choice to request the sale of licensed kava instead. Profits raised by individual communities' kava sales were intended to be used for community development as well as for the mitigation of any negative health effects stemming from heavy kava use. One community used kava funds to help rehabilitate a cattle station and abattoir to create employment. Kava sales also provided the homelands resource agency, based at Yirrkala, with a valuable stream of rare discretionary income that was independent of government and could be used to support decentralised homeland communities. The LHA used the income to fund a ranger program and ranger station; a boat; housing improvements; health escort travel assistance for local people who travelled to hospital in Darwin; and donations to schools, sports and the night patrol. It also planned a number of civil works, such as a cyclone shelter and women's centre, and the purchase of tractors, generators, fencing, repairs and furniture. The LHA estimated that, after costs, the kava proceeds available for use for community benefit added up to around \$900,000 per annum. With its members, directors, staff and families drinking kava to varying degrees, it was in the LHA's interests to stay abreast of claims and counterclaims about kava's health effects. It commissioned independent reviews of the medical literature that found the health risks to be minor, especially when compared with those associated with alcohol.

Monopoly trading displaced the black market to a certain extent, but the Kava Management Act did not entirely prevent illegal trading (LHA 2008: 22).³⁷ Seizures of illegal quantities of kava, agitation by Northern Territory politicians and an interventionist federal minister for Indigenous Affairs, culminated in 2007 in the federal government cancelling the kava import licence.³⁸ Without warning, all commercial importation of kava for social use was prohibited, bringing a precipitous end to the monopoly on sales held by the LHA. Thereafter, kava could be imported only for the personal-cultural use of people of South Pacific Islander descent. The LHA launched a spirited defence of kava consumption and its kava wholesale business, enumerating the many projects that were dependent on it and citing the lack of evidence of any serious health effects related to kava use. At the time, the community council at Yirrkala had \$600,000

37 For example, it was reported that police from Tennant Creek seized 500 kg of kava, with a street value of \$200,000, from a motorist travelling from Queensland (*Tennant Times* 2000: 3).

38 The ban on the commercial importation and licensing of kava was implemented by the Australian Government as part of the Northern Territory Emergency Response (NTER) in 2007.

worth of community projects that were dependent for their completion on kava proceeds and the LHA had numerous projects in train that were also reliant on kava monies (LHA 2008: 23).



Fig. 6 Kava Licence Area sign, Yirrkala, 2005

Source: M Brady

There is no doubt that untied funds provided by the sale of kava enabled activities that benefited the community; the funds were well managed and the licensing and controlled distribution of kava through the Aboriginal-run monopoly over sales mitigated the black market in kava. Observers report that, since the ban on legal importation and distribution, millions of dollars have disappeared directly from the communities into the pockets of illegal Pacific Island traffickers. Seizures of illicit kava by the Substance Abuse Intelligence Desk doubled between 2009 and 2010 (Putt 2011). At a time when communities were also getting less financial support from government, the loss of kava income devastated their capacity to build infrastructure and provide jobs (Morphy 2008, Botsman 2015). By its own admission, the member-owned LHA was *dependent* on the kava business for a substantial part of its activities. This had been one of the criticisms voiced by temperance advocates against the fundraising capacity of community hotels: that town councils would become habituated

to raising funds through sales of alcohol and morally compromised as a result. Despite being less problematic than alcohol, kava is, after all, a narcotic drug.

Unlike in parts of Sweden, there has never been a government-franchised monopoly alcohol supply system in Australia; although, as discussed here, kava was briefly a monopoly and there were (and still are) a handful of examples of municipal or community ownership of premises in both the Indigenous and non-Indigenous domains. In South Australia, where they proliferated, the interest of politicians and citizens in community-owned hotels often narrowed over time to their ability to raise revenue for local needs, rather than their supposed harm-reduction and alcohol-control functions. Indeed, with the demise of the old irrigation colonies' regional alcohol monopolies and with the rise of a competitive and less regulated liquor trade, revenue raising has become the more important goal. South Australia today has the highest per capita number of liquor licences of any Australian state or territory, and the rate of increase of licensed premises has been six times the rate of increase in population (Social Development Committee of the South Australian Parliament 2014: 44). To remain commercially viable, and to have enough profits to share with the community that supports them, the remaining community hotels have had to sacrifice some of their original ideals.

The Swedish *bolag*, and other Gothenburg-style strategies governing alcohol sales, had built-in social and public health objectives, such as making public houses eating houses, employing respectable managers who derived no profit from alcohol sales and securing strict supervision of all public houses (Pitman 1877). As mentioned, these were an early manifestation of the notion of corporate social responsibility. By contrast, the Indigenous agencies—such as the ADC and IBA—that made it possible for Indigenous communities to purchase hotels were only briefly guided by social concerns and lacked the caveats governing the Swedish *bolag*. Harm reduction was not even mentioned in their policy statements, and they ignored the glaring moral hazards associated with alcohol sales. By making economic viability such a high priority,³⁹ and by excluding safeguards against social or community harms deriving from alcohol sales, the Indigenous development and investment agencies failed

39 Arguably, these Indigenous statutory bodies—while under pressure from government audit offices to tighten their financial conduct—should have been able to create a balance between investment policies that were commercially robust *and* socially responsible.

in their duty of care to their Indigenous clients. Their policies prioritised the accumulation of Indigenous assets via business plans that were indifferent to social objectives. Particularly in the case of the Crossing Inn at Fitzroy Crossing, the commercially driven policies pursued by Indigenous economic agencies actively undermined policies that were aimed at harm reduction, sabotaging earlier ambitions for the hotel to impart moderate drinking habits. Such a trajectory runs counter to the principles that underpinned the Gothenburg system and its descendants, the community-owned hotels.

Among the remaining non-Indigenous community hotels in small rural towns, several are under financial stress with ongoing problems of staffing and management. While ‘keeping the money in the community’ has been a guiding principle for them, it may have had unintended consequences. In the 1930s, when towns were debating whether to create community hotels, a Methodist minister in Port Pirie presciently warned of the implicit danger of local bodies becoming dependent on the proceeds from hotel profits: he thought that community boards might not necessarily be altruistic in their distribution of revenue (*Recorder* [Port Pirie] 1939: 1). His comments touch on the dilemmas that were inherent in these enterprises from the start, and with which community hotels, whether they are owned by non-Indigenous or Indigenous entities, still grapple today.

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