

## Despite 'Reforms'

## Wallace's Pals Getting Liquor Rich

MONTGOMERY, Ala.—In 1963, printer and sometime labor lobbyist Jack Brock sold Alabama's State liquor monopoly 1813 cases of a home-made concoction called "Hill-Neighbor Wine." His revenue was \$51,041.

By 1967, Brock's business had improved considerably. He handled five brands of bourbon and his Alabama sales totaled \$2,534 cases for \$2,082,000.

Brock's rise-to-liquor riches is interesting for several reasons:

First, it began the first year his longtime political enemy, George C. Wallace, was Governor of Alabama.

Second, so-called "reforms" in liquor purchasing instituted by Wallace enabled Brock and other members of the Governor's political clique to become dominant in the Alabama liquor market.

Third, Brock's Montgomery Wine Co., the conduit through which he does business, is strictly a paper organization. None of the liquor goes through its premises; it isn't even listed in the Montgomery phone book.

All Brock does is accept orders from the Alabama Alcoholic Beverage Control Board and send them to the Double Springs Distillery, Bartonsville, Ky. Double Springs ships directly to the ABC warehouse.

ANOTHER FIRM THAT BECAME PROMINENT in Alabama liquor sales concurrent with the start of the Wallace political dynasty is Montebello Liquors, Inc., which has its home offices in Baltimore.

Montebello got its first Alabama business in 1963, shortly after it retained the Montgomery law firm headed by Macdonald Gallion, a Wallace pal who had just finished a term as Attorney General, and Nicholas Ware, who had campaigned for the Governor.

In the fiscal year ending last June 30, Montebello was the ABC's largest single supplier of gin (\$2 million of \$5.5 million purchased) and of vodka (\$3.7 million of \$10 million). These were in so-called "off-brand labels"—McCall's for gin and vodka; Gold Crown for gin.

MACDONALD GALLION has popped up repeatedly as attorney for companies wishing to do

business with the administrations of George Wallace and his wife, Lurleen, who died in May.

The Federal Bureau of Public Roads, for example, has a signed contract from an Eastern engineering consultant who said he had been advised to retain Gallion as his "local agent" for \$80,000. If he expected to obtain any Alabama highway contracts, Gallion was re-elected Attorney General in 1966 as a running-mate with Mrs. Wallace.

Federal investigators and anti-Wallace Alabamians suspect that Wallace used the State Government to generate funds to finance a Presidential candidacy for the American Independent Party.

THE FEDERAL INTEREST stems from the fact there is a commingling of Federal and State funds in many Alabama programs, and because of statutes concerning raising of funds for campaigns for Federal office.

Puzzling features are found in many areas of Alabama purchasing—from asphalt for State roads to Zodiak vodka for State liquor stores. Some examples: One State agency buys its envelopes on a weekly basis, never spending more than \$257. It buys them from a stationary firm headed by a Wallace friend. Under Alabama law, competitive bids are not required unless more than \$500 is involved.

Wallace's pride is a system of State industrial schools established while he was Governor. Alabamians question why equipment for these schools was purchased—from a Wallace friend—months before any classrooms were constructed.

There are signs, however, that Wallace's institutionalized system of forcing contractors to share their profits with his friends is in danger.

GOV. ALBERT BREWER who succeeded the late Mrs. Wallace called a press conference to announce the award of several road contracts to the Waugh Asphalt Co. In April, Howard Alexander, owner of the Waugh firm, charged former Alabama Finance Director Symore Trammell—Wallace's campaign manager—

and 25 other defendants with rigging asphalt bids to secure "kickbacks" to finance the Wallace political organization.

The suit was to have been heard May 23 before U.S. District Judge Frank M. Johnson, one of the few officials in Alabama—State or Federal—who has not been cowed by the popular Wallace.

But minutes before the court opened, the litigants announced they had settled the case, with the defense agreeing to pay all court costs. As a condition of settlement, Alexander agreed not to discuss what the defendants had offered him to drop the suit.

HOWEVER, SOURCES HERE SAID persons authorized to speak for Brewer had told Alexander and his attorney that he was willing to scrap the bidding system at the core of the suit, and to receive fair treatment.

But Brewer made plain that he would do nothing to embarrass Wallace, with whom he has an uneasy alliance, and that any settlement would have to be made quietly. Promised the contacts, Alexander agreed to discontinue the suit. He got the contracts six days later.

The liquor purchase questions, conversely, were first raised more than two years ago, and nothing has happened to diminish the flow of business to Wallace-allied companies and individuals.

Before Wallace's election in 1963, Alabama had a purchase system in which national distillers had "local agents" to receive commissions on their sales to the Alcoholic Beverage Control Board.

THE SYSTEM WAS ASHAM. The ABC buys at a set price as do the 16 other States (and Montgomery County, Md.) that operate government liquor monopolies. Historically, Alabama political bosses passed around the "agent" positions as lucrative plums, and persons so chosen were expected to share their largesse with the Governor. The take was upward of \$1 million a year.

Wallace pledged to do away with "corrupt agents" during his campaign, and one of his first orders was a directive to the ABC saying that "it

is no longer necessary" for distillers to employ local agents.

Wallace also had the Legislature impose a 3 percent tax on firms making sales to the ABC. The law stated this must be collected from the company—not from the consumer.

However, the big national distillers said such a tax put them in danger of violating a pricing agreement reached in 1937 during the first convention of the National Association of Monopoly States.

THIS UNWRITTEN AGREEMENT—called the Des Moines Compact after the convention city—said no monopoly State would buy from a distiller at a price lower than that offered to other States. Distillers who broke the agreement would be boycotted.

The distillers said the other monopoly States would consider Alabama's 3 percent tax an "illegal rebate." If applied nationally, it would cost them 3 percent of the nearly \$1 billion annual sales to the monopoly States, which represents 24 percent of the U.S. liquor market.

Most major distillers chose to withdraw from Alabama—the number of licensed vendors slumped from 80 to 30 within four months. The ABC suddenly found itself forced to buy from small distillers who don't worry about the monopoly market, or from bottlers who buy bulk stocks from distillers and put it out under their own labels.

And Alabama tipplers found their State stores laden with such obscure labels as Crab Orchard bourbon and Shooting Lodge scotch.

THIS WAS BAD ENOUGH in the estimation of drinkers. But these non-standard brands cost more than what they had paid for nationally advertised labels. McCall's gin (one of the brands imported by Jack Brock) sold for \$4.15 a fifth—whereas Gilbey's had cost \$3.95.

Regularly, McCall's "special case" cost to the State was \$32.40, or \$2.55 less than what Gilbey's had cost. It didn't take Alabamians long to realize that they, not the distillers, were paying George Wallace's 3 percent tax.

But with the national distillers out of Alabama, who was handling the import of these strange new brands?

This question was first raised in April 1964 when Montgomery businessman named Luther Walker Jr. was at a party at the home of a friend who served an obscure bourbon.

WALKER LOOKED AT THE BACK LABEL of the bottle and found this notation: Bottled for Montgomery Wine Co., Montgomery, Ala.

Bottled by Kentucky Distilling Co., Louisville, Ky.

Curious as to why the ABC would buy from a local middleman rather than the distiller, Walker the next day tried to find Montgomery Wine Co.

He couldn't. It just wasn't in the phone book, the Chamber of Commerce knew nothing of it, nor did any of the local liquor stores.

So Walker sat down and wrote the Montgomery Advertiser a letter in which he said:

"What is the difference between this middleman's profit and commissions paid to liquor agents? Who are the owners of the Montgomery Wine Co. and what is their connection with the State Administration? Is the same old political payoff still in existence—this time in a different and less obvious form?"

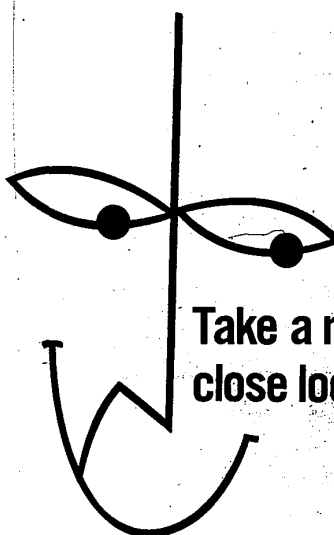
ONCE THE LETTER WAS PUBLISHED, the identity of Montgomery Wine Co. was established.

The owner: Brock, former lobbyist in the State capital, for the American Federation of Labor, where he became very friendly with freshman State Rep. George C. Wallace, and until recently a partner for the Montgomery Advertiser.

Because of his thriving liquor business, Brock was able to quit his printer job and build a new home. Two or three times weekly he would drop by the ABC, pick up liquor purchase orders and take them to a bank to draw a check.

His entire "work" was done by mail, and Brock never saw the whisky, which the distiller shipped directly to the ABC.

## Watch Out . . . School's Out!



Take a really close look

marks the spot



Just 50¢

to get this 144-page guide to money management for half the regular retail price

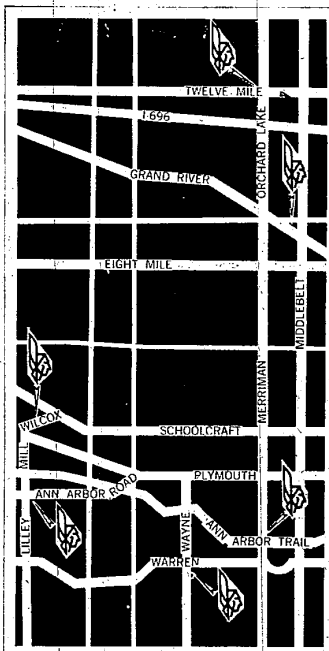
We think so highly of this book with its practical, workable tips on borrowing, budgeting, investing, that we're offering it at all of our offices at half the newsstand price of a dollar. Just fifty cents at your Family Banking Center, and only at your Family Banking Center. It's a Detroit Bank & Trust exclusive that we don't want anyone to miss. Get your copy now at any of our more than 80 convenient offices.



DETROIT BANK & TRUST

119 years of service and security

Family Banking Centers at Lake Pointe Village • Ann Arbor Road-Lilley • Grand River-Middlebelt • Twelve Mile-Orchard Lake Road • Wayne-Warren • Ann Arbor-Merriman



... at the Observer Classified Placement Center, and cast your eyes on the widest selection of job offerings in Detroit.

Everyone with ambition and intelligence is interested in progressing ... looking for a growth career ... an opportunity to specialize in a certain field ... a job where maximum income is not only a possibility but a distinct probability.

Whenever you are looking for a better position, rely on the professionals at the participating Personnel Agencies in the Observer Placement Center.

You never know when the opportunity will come where your next job will be more than "Just a Job." So don't miss out! Keep your eyes on the Observer Placement Center in the want ad section.



PLACEMENT CENTER



PARTICIPATING PERSONNEL AGENCIES: INTERNATIONAL PERSONNEL of FARMINGTON, LIVONIA, REDFORD and SOUTHFIELD; SMELLING & SMELLING PERSONNEL CONSULTANTS AND WILLIAMS SERVICES — TURN TO WANT AD PAGE 7.