



COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 22-08-2000
SG(2000)D/106330

In the published version of this decision, some information has been omitted pursuant to Article 17(2) of Council Regulation (EEC) No 4064/89 concerning non-disclosure of business secrets and other confidential information. The omissions are shown thus [...]. Where possible the information omitted has been replaced by ranges of figures or a general description.

PUBLIC VERSION

MERGER PROCEDURE
ARTICLE 6(1)(b) DECISION

To the notifying party

Dear Sirs,

Subject: Case No COMP/M.2044 – Interbrew/Bass

Notification of 06.07.2000 pursuant to Article 4 of Council Regulation No 4064/89

1. On 06.07.2000 the Commission received a notification of a proposed concentration by which Interbrew SA will acquire sole control of Bass Holdings Limited and Prazske Pivovary a.s.
2. After examination of the notification, the Commission has concluded that the notified operation falls within the scope of the Merger Regulation and that, in as far as it relates to markets other than those in the UK beer sector, the concentration does not raise serious doubts as to its compatibility with the common market and with the EEA agreement.
3. By a letter dated 01.08.2000, the Commission received a request from the UK for the referral to the competent UK competition authorities of the proposed concentration in as far as it threatens to create or strengthen a dominant position as a result of which competition will be significantly impeded on markets for the supply of beer in the UK, with a view to assessing it under UK national competition law, pursuant to article 9(2)(a) of the Merger Regulation. On the same date as this decision and in reply to that request, the Commission addressed to the UK Government a decision to refer the case as requested.

I. THE PARTIES

4. **Interbrew SA** (“Interbrew”) is principally involved in the supply of beer in the Americas, Western, Central and Eastern Europe and Asia Pacific. Interbrew’s portfolio of brands includes Stella Artois, Labatt Blue and Rolling Rock. Earlier this year (25.05.2000) Interbrew acquired the UK brewing business of Whitbread PLC, the number three UK brewer.

5. **Bass Holdings Limited** (“BHL”) is a subsidiary of Bass plc, active in the supply of beer and Flavoured Alcoholic Beverages primarily in the UK. This activity is done principally through Bass Brewers Limited. Its brand portfolio includes, inter alia, Carling, Worthington, Tennents and Caffrey’s. [>90]% of BHL’s turnover is achieved in the UK where it is the number two brewer.
6. **Prazske Pivovary a.s.** (“Prazske) is active in the supply of beer in the Czech Republic where [>80]% of its turnover is generated. [<20]% of its turnover is generated in the EEA, principally in Germany. Its beer brand portfolio includes, *inter alia*, Staropramen.

II. THE OPERATION

7. The notified operation is the acquisition by Interbrew (through its wholly-owned subsidiaries Interbrew UK Holdings Limited, Interbrew Central European Holding BV and Brandbrew SA) of Bass Machine Holdings Limited’s shares in BHL and Prazske, and the business, assets and certain liabilities of Bass Beers Worldwide Limited (‘BBW’).
8. Bass Machine Holdings Limited holds 100% of the shares in BHL and approximately 80% of the shares in Prazske. The remaining shares in Prazske are widely held and are publicly traded in the Czech Republic.

III. CONCENTRATION

9. Interbrew will acquire sole control over BHL, Prazske and BBW and the transaction is therefore a concentration within the meaning of article 3(1)(b) of the Merger Regulation.

IV. COMMUNITY DIMENSION

10. The combined aggregate worldwide turnover of the undertakings concerned exceeds EUR 5,000 million (Interbrew [...] million; BHL and Prazske [...] million). The aggregate Community wide turnover of each party exceeds EUR 250 million (Interbrew [...] million; BHL and Prazske [...] million). BHL and Prazske achieve together more than two-thirds of their Community-wide turnover in the UK. Interbrew does not achieve more than two-thirds of its Community-wide turnover in any one Member State. The operation has therefore a Community dimension.

V. COMPETITIVE ASSESSMENT

1. Beer

11. The combined activities of BHL and Interbrew represent market shares of greater than 15% in Belgium, Luxembourg and the Netherlands. However, the total share of beer sales of BHL in each of those countries in 1999 (on-and off-trade combined) was [<1%], and Prazske makes no sales in those countries. It is therefore not necessary to define the relevant product or geographic markets as, however defined, the concentration, in as far as it affects the beer sector outside the UK, does not threaten to strengthen or create any dominant positions.

2. Flavoured Alcoholic Beverages (“FABs”)

Relevant product markets

12. Interbrew have provided information on the basis that FABs constitute a separate relevant market. However, it could be possible to examine the effects of the concentration on a narrower basis, since there are two categories of FABs: spirit mixed drinks, which are made by the addition of a spirit (such as Bacardi Breezer and Martini Metz) to a non-alcoholic base and alcoholic carbonates (such as Hooper’s Hooch) that are drinks where a potable alcohol produced by fermentation, or sometimes distillation, is added to a carbonated flavoured base, often including fruit juice.
13. For the purposes of this decision it is not necessary to decide whether there exists a distinct market for FABs, whether such a FABs market should be split into spirit-mixed drinks and alcoholic carbonates, or whether separate markets should be defined for the on- and off-trade, as however the markets are defined, the outcome would not be materially affected.

Relevant geographic markets

14. Interbrew considers that it is appropriate to consider the supply of FABs as a national market. While the Commission found no indication that the relevant geographic market is smaller than national, it is not necessary for this case to decide if it is larger, since the outcome would not be materially affected.

3. Competitive assessment

15. Together the parties will hold [<20] % of the total UK FAB market. In addition, the market is young, growing, variable, dynamic. Brands appear to have a relatively short shelf-life and barriers to entry are also low, as is shown by the fact that more than 40 FAB products have been launched in the UK within the last five years and have rapidly gained significant market shares after their launch.
16. The concentration therefore does not threaten to create or strengthen a dominant position in the market for FABs.

VI. CONCLUSION

17. For the above reasons, the Commission has decided not to oppose the notified operation, in as far as it relates to markets other than those in the UK beer sector, and to declare it compatible with the common market and with the EEA Agreement. This decision is adopted in application of Article 6(1)(b) of Council Regulation (EEC) No 4064/89.

For the Commission,

Philippe BUSQUIN
Member of the Commission