

Press release: Heineken/Punch must resolve concerns over pub merger

Heineken must now offer proposals to address these concerns by 20 June or face an in-depth investigation into the merger.

As part of an [initial investigation](#), the Competition and Markets Authority (CMA) has looked in detail at areas where pubs operated by Heineken and Punch currently compete. It has identified 33 local areas where their pubs would not face sufficient competition after the merger, which could lead to price increases or a deterioration in the quality of the service on offer.

Concerns were also raised with the CMA that the merger would close off an important route to market for brewers that compete with Heineken. However, the CMA found that the pubs being acquired are only a very small part (4%) of the GB market and are therefore not a major route to market for brewers – which was backed by evidence from brewers showing that these Punch pubs typically account for only a small proportion of all of their sales to pubs.

The CMA also looked closely at whether the acquisition by Heineken could lead to a reduction in the choice of beer and cider on offer in the Punch pubs. The CMA found that any potential reduction would be limited, taking into account the drinks that Punch currently stocks and the range of drinks available in Heineken-owned pubs. It also found that Heineken would not have a strong incentive to reduce the range of beer and cider, in part because doing so would risk losing business in pubs where this is important to customers.

Andrea Coscelli, CMA Acting Chief Executive and decision maker in the case, said:

We have listened very carefully to a range of concerns about this merger. The companies will own less than 10% of all British pubs after any deal, but we are concerned about the loss of competition for pub goers in a number of local areas. Without sufficient competition from rivals, pubs in these areas might be able to raise prices or worsen the service they offer customers.

Heineken will now have the chance to offer proposals to address these concerns – otherwise we will carry out an in-depth investigation.

The merger will be referred for an in-depth phase 2 investigation by an independent group of CMA panel members, unless Heineken is able to offer undertakings which sufficiently address the CMA's competition concerns. Heineken has until 20 June 2017 to do so.

All information relating to the merger is available on the [case page](#).

Notes for editors

1. Heineken is proposing to buy approximately 1,900 pubs from Punch Taverns.
2. The CMA is the UK's primary competition and consumer authority. It is an independent non-ministerial government department with responsibility for carrying out investigations into mergers, markets and the regulated industries and enforcing competition and consumer law. For more information see the [CMA's homepage](#).
3. Under the Enterprise Act 2002 (the Act) the CMA has a duty to make a merger reference, resulting in an in-depth phase 2 merger investigation, if the CMA believes that it is or may be the case that a 'relevant merger situation' has been created, or arrangements are in progress or in contemplation which, if carried into effect, will result in the creation of a relevant merger situation; and that the creation of that situation has resulted, or may be expected to result, in a substantial lessening of competition within any market or markets in the United Kingdom for goods or services.
4. Under the Act a 'relevant merger situation' is created if 2 or more enterprises have ceased to be distinct enterprises; and the value of the turnover in the United Kingdom of the enterprise being taken over exceeds £70 million ('the turnover test') or as a result of the transaction, in relation to the supply of goods or services of any description, a 25% share of supply in the UK (or a substantial part of the UK) is created or enhanced ('the share of supply test').
5. The CMA considers that it is under a duty to make a phase 2 merger reference in this case under the Act. However, the duty to refer is not exercised while the CMA is considering whether to accept undertakings in lieu of a reference.
6. All the CMA's functions in phase 2 merger investigations are performed by inquiry groups chosen from the CMA's panel members. The appointed inquiry group are the decision makers on merger investigations. The CMA's panel members come from a variety of backgrounds, including economics, law, accountancy and/or business; the membership of an inquiry group usually reflects a mix of expertise and experience (including industry experience).
7. The text of this decision will be placed on the [case page](#) in due course.
8. For more information on the CMA see our [homepage](#) or follow us on Twitter [@CMAgovuk](#), [Facebook](#), [Flickr](#) and [LinkedIn](#). Sign up to our [email alerts](#) to receive updates on mergers cases.
9. Media enquiries should be directed to press@cma.gsi.gov.uk or by calling 020 3738 6798.