



## Statement of Issues

14 December 2023

### Endeavour Group Limited – proposed acquisition of the Prince Consort Hotel

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#### Purpose

1. Endeavour Group Limited (**Endeavour**) proposes to acquire the Prince Consort Hotel located at 220-230 Wickham Street, Fortitude Valley in Queensland and the associated Prince Cellars liquor store located at 234 Wickham Street (the **proposed acquisition**).
2. This Statement of Issues:
  - gives the Australian Competition and Consumer Commission's (**ACCC**) preliminary views on competition issues arising from the proposed acquisition,
  - identifies areas of further inquiry, and
  - invites interested parties to submit comments and information to assist our assessment of the issues.
3. Statements of Issues do not refer to confidential information provided by the parties or other market participants and therefore may not fully articulate the ACCC's preliminary position.

#### Overview of ACCC's preliminary views

4. In considering the proposed acquisition, the ACCC applies the legal test set out in section 50 of the *Competition and Consumer Act 2010* (the **CCA**). In general terms, section 50 prohibits acquisitions that would have the effect, or be likely to have the effect, of substantially lessening competition in any market.
5. The ACCC divides its preliminary views into three categories, 'issues of concern', 'issues that may raise concerns' and 'issues unlikely to raise concerns'. In this Statement of Issues there is one "issue of concern" and three "issues unlikely to raise concerns."

### **Issue of concern**

6. The ACCC's preliminary view is that the proposed acquisition is likely to substantially lessen competition in the retail market for the supply of packaged takeaway liquor for off-site consumption in the local area surrounding Prince Cellars because the proposed acquisition will:
  - remove a strong independent competitor with a local focus and increase the already significant concentration of Endeavour-owned stores within the Fortitude Valley area that also has several Coles Group Limited (**Coles**) liquor stores (Liquorland, First Choice, and Vintage Cellars).
  - remove local competition between Prince Cellars and Endeavour's liquor stores, particularly the competitive constraint of BWS Valley Central and BWS Fortitude Valley on Prince Cellars as the two closest alternative liquor stores geographically to Prince Cellars with comparable offerings.
  - remove Prince Cellars' differentiated offering in the local area under the Fleet Street banner, including its range, extended trading hours, pricing and promotions, and store quality.

### **Issues unlikely to raise concerns**

7. The ACCC's preliminary view is that the proposed acquisition is unlikely to substantially lessen competition in the wholesale supply of liquor to takeaway liquor stores and/or hospitality venues because Prince Cellars is unlikely to be of sufficient size to materially impact the wholesale costs of independent wholesalers or Endeavour.
8. The ACCC's preliminary view is that the proposed acquisition is unlikely to substantially lessen competition in the retail market for packaged liquor for off-site consumption between liquor brands, also referred to as 'chain-on-chain' competition, on a regional, state, or national level. Post-acquisition there would continue to be several Fleet Street and other Independent Liquor Group (**ILG**) banner stores in Queensland such that the proposed acquisition would not materially reduce Fleet Street's geographic presence, brand awareness, or group buying power.
9. The ACCC's preliminary view is that the proposed acquisition is unlikely to substantially lessen competition in the provision of liquor for on-site consumption, gaming or entertainment/dining, given the number of competitors in the immediate vicinity of the Prince Consort Hotel.

### **Making a submission**

10. The ACCC invites submissions on this SOI, particularly on the following key issues:
  - the extent to which Prince Cellars competes with Endeavour-owned liquor stores in the local Fortitude Valley area, including on price and promotions, product range, quality, service, location, and store quality.
  - the extent to which other liquor retailers in the local Fortitude Valley area and surrounding suburbs compete with Prince Cellars and Endeavour-owned liquor

stores, including on price and promotions, product range, quality, service, location, and store quality.

- the extent to which Prince Cellars provides a differentiated retail offer from Endeavour-owned liquor stores and/or other liquor stores in the area and the importance of this differentiated retail offer to consumers.
11. Interested parties should provide submissions by **5pm on 25 January 2024**. Responses may be emailed to [mergers@accc.gov.au](mailto:mergers@accc.gov.au) with the title: Submission re: Endeavour/Prince Consort Hotel. If you would like to discuss the matter with ACCC staff or have any questions about this Statement of Issues, please contact Jacob Babic on (02) 9910 9405 or Fiona Kennedy on (03) 9290 1925.
  12. The ACCC anticipates making a final decision on **21 March 2024**, however, this timeline can change. To keep up with possible timing changes and to find relevant public documents, interested parties should visit the Mergers Register on the ACCC's website at [www.accc.gov.au/publicregisters/mergers-registers/public-informal-merger-reviews](http://www.accc.gov.au/publicregisters/mergers-registers/public-informal-merger-reviews).

### Confidentiality of submissions

13. The ACCC will not publish submissions regarding the proposed acquisition. We will not disclose submissions to third parties (except our advisors/consultants) unless compelled by law (for example, under freedom of information legislation or during court proceedings) or in accordance with s155AAA of the CCA. Where the ACCC is required to disclose confidential information, the ACCC will notify you in advance where possible so that you may have an opportunity to be heard. Therefore, please identify any confidential information that is provided to the ACCC. Our [Informal Merger Review Process Guidelines](#) contain more information on confidentiality.

### About ACCC 'Statements of Issues'

14. A Statement of Issues is not a final decision about a proposed acquisition. A Statement of Issues outlines the ACCC's preliminary views and identifies further lines of inquiry.
15. A Statement of Issues provides an opportunity for all interested parties (including customers, competitors, shareholders, and other stakeholders) to ascertain and consider the primary issues identified by the ACCC. It is also intended to provide the merger parties and other interested parties with the basis for making further submissions should they consider it necessary.

### The parties

#### Endeavour

16. Endeavour is a major Australian alcoholic drinks retailer and hotel operator that operates over 1,700 retail liquor stores nationally under the BWS and Dan Murphy brands, as well as online via Jimmy Brings and Langton's, wineries under Paragon Wine Estates and as a corporate liquor supplier under Shorty's Liquor. Endeavour also manages over 330 licensed hotels across Australia through its subsidiary, ALH Hotels.

17. Until 28 June 2021, Endeavour was a subsidiary of Woolworths Group (Woolworths). Endeavour separated from Woolworths via a demerger and is now a separately listed corporation on the ASX (ASX:EDV).

### **The Prince Consort Hotel**

18. The Prince Consort Hotel is located at 220-230 Wickham Street, Fortitude Valley. The Prince Consort Hotel offers on-premises food and beverage consumption, live music and entertainment, gaming and wagering, and function services. The Prince Consort Hotel is owned by Tilley and Wills, a Sydney-based hospitality group with 12 venues in New South Wales and one venue (the Prince Consort Hotel) in Queensland.
19. The associated liquor store, Prince Cellars, is located at 234 Wickham Street, Fortitude Valley. In addition to mainstream liquor products, Prince Cellars also sells Australian and imported wine, and a range of artisanal and classic spirits, craft beers, and pre-mixed beverages.
20. The Prince Cellars liquor store trades under the Fleet Street banner which is operated by ILG. There are approximately 20 Fleet Street banner stores across New South Wales and Queensland, of which only Prince Cellars is located within Fortitude Valley.

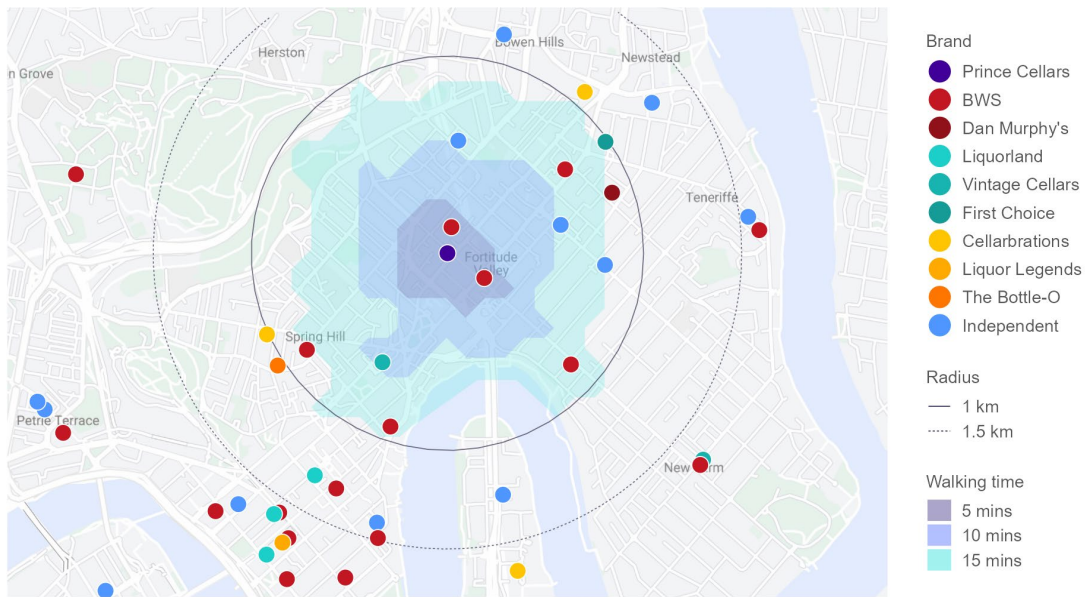
### **The proposed transaction**

21. Endeavour proposes to acquire the business assets (including the liquor licence) of the Prince Consort Hotel and associated Prince Cellars, and a separate leasehold interest from the owner of the premises.

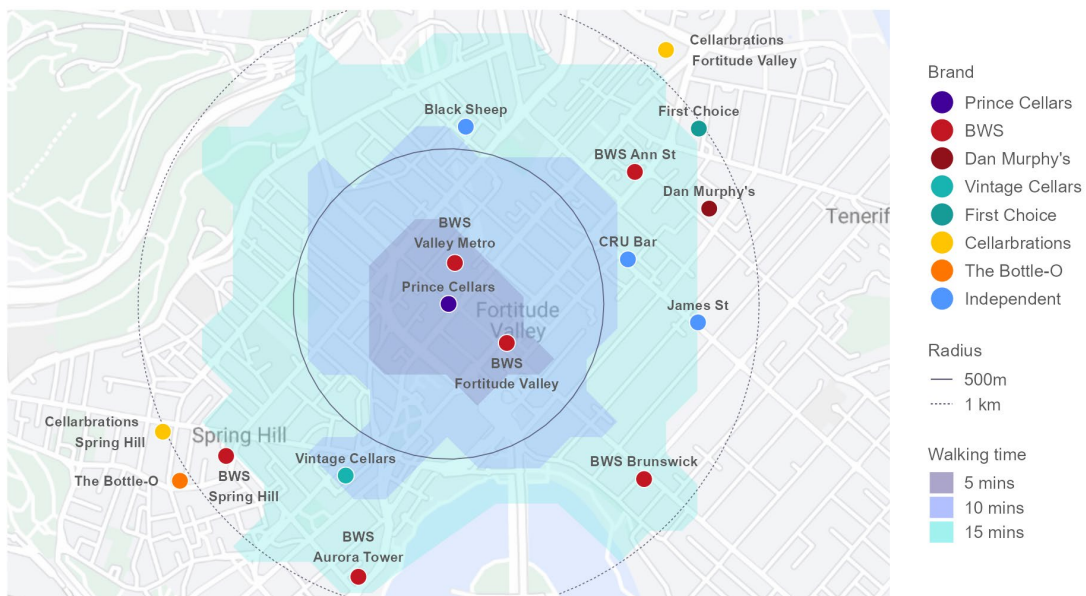
### **Areas of overlap**

22. Endeavour operates several BWS and Dan Murphy branded liquor stores and hotels in the same local area as Prince Cellars, including BWS Valley Central and BWS Fortitude Valley within 300 m of Prince Cellars. **Figure 1** below is a map of the Fortitude Valley area, identifying the Prince Cellars and other liquor stores within a 1 km (approximately 15 minutes' walking distance) and 1.5 km (approximately 20 minutes' walking distance) radius. **Figure 2** shows a closer area around the immediate vicinity (~300 m) of Prince Cellars.
23. Endeavour currently operates 9 liquor stores within a 1.5 km radius and 7 liquor stores within a 1 km radius of Prince Cellars, including BWS Valley Central and BWS Fortitude Valley within 300 m of Prince Cellars.

**Figure 1: Local area map around Prince Cellars – 1 km and 1.5 km radius**



**Figure 2: Close area map around Prince Cellars – 500 m and 1 km radius**



## Previous ACCC decisions

24. Since Endeavour's demerger from Woolworth's in 2021, Endeavour has engaged in a pattern of serial acquisitions. According to Endeavour's annual reports, it has acquired at least 21 hotels over 3 years, 6 of which have been subject to ACCC public reviews.

## Endeavour Group Limited's proposed acquisition of the Rye Hotel, VIC

25. On 7 December 2023, the ACCC decided not to oppose Endeavour's proposed acquisition of the Rye Hotel and associated Thirsty Camel liquor store on the

Mornington Peninsula in Victoria. The ACCC considered the acquisition was unlikely to substantially lessen competition in the supply of takeaway liquor in the local area because the Rye Hotel Thirsty Camel did not appear to compete strongly on price or range, and largely attracted customers through its drive-through convenience offering. The ACCC concluded two Thirsty Camel bottle shops in the local area would provide a sufficiently differentiated offering post-acquisition. The ACCC also found that the proposed acquisition was unlikely to substantially lessen chain-on-chain competition between liquor stores, competition in the wholesale supply of liquor to liquor stores and hospitality venues or the provision of accommodation, liquor for onsite consumption, gaming and entertainment/dining.

#### **Endeavour Group Limited’s proposed acquisition of the Beachfront Hotel, NT**

26. On 23 February 2023, the ACCC decided not to oppose Endeavour’s proposed acquisition of the Beachfront Hotel in Rapid Creek, NT. The ACCC considered the acquisition in the local market for the retail supply of off-premise liquor and concluded that the acquisition was unlikely to substantially lessen competition because a sufficient variety of liquor stores would remain in the area post-acquisition. The ACCC also found that the proposed acquisition was unlikely to substantially lessen chain-on-chain competition between liquor stores or competition in the wholesale supply of liquor to liquor stores and hospitality venues.

#### **Endeavour Group Limited’s proposed acquisition of each of the Beach Hotel, Crown Inn, Tower Hotel and Whitehorse Inn, SA**

27. On 23 December 2022, the ACCC decided not to oppose Endeavour’s proposed acquisition of the Tower Hotel and co-located Cellarbrations liquor store in Magill, SA and the Beach Hotel and co-located Cellarbrations liquor store in Seaford, SA after accepting a court enforceable undertaking offered by Endeavour to divest its BWS Seaford store. Endeavour also withdrew its proposal to acquire the Crown Inn and co-located Cellarbrations liquor store in Old Reynella, SA and the Whitehorse Inn and co-located Cellarbrations liquor store in Bolivar, SA.
28. In relation to the Tower Hotel, the ACCC concluded that the acquisition was unlikely to substantially lessen competition in any market, including the market for the supply of takeaway liquor in the local area, because the acquisition resulted in a minor increase in market concentration and a sufficient range of alternative liquor retailers remained in the area to maintain competition post-acquisition.
29. In relation to the Beach Hotel, absent the undertaking to divest Endeavour’s BWS Seaford store to an approved ACCC purchaser, the ACCC had concerns the acquisition would substantially lessen competition in the supply of takeaway liquor in the local area because BWS Seaford and the Beach Hotel Cellarbrations were each other’s closest competitors and post-acquisition, Endeavour would not be sufficiently constrained by other liquor retailers in the local area.

## Market definition

30. As stated in the ACCC's Merger Guidelines, the ACCC's starting point for defining relevant markets to assess the competitive effects of the proposed acquisition involves identifying the products and services supplied by the merger parties.<sup>1</sup> The ACCC then considers what other products and services constitute sufficiently close substitutes to provide a significant source of constraint on the merged entity.
31. The ACCC is considering the impact of the proposed acquisition on competition:
- in the local retail market for the supply of packaged liquor for off-site consumption
  - in the wholesale supply of liquor to takeaway liquor stores and hotels/hospitality venues
  - on chain-on-chain competition between retail liquor store chains
  - the retail supply of products/services available at hotels and hospitality venues

### **Retail market for the sale of packaged liquor for off-site consumption**

#### *Geographic scope*

32. The ACCC's preliminary view is that local area considerations in the vicinity of Prince Cellars are relevant to the assessment of the competitive effects of the proposed acquisition.
33. When assessing local retail markets, the ACCC aims to identify the competitive constraints on the merged firm's retail offers at a store level. The ACCC considers travel time and distance between retailers of packaged liquor for off-site consumption are important determinants of competitive constraint.
34. The ACCC's preliminary assessment has considered the effects of the proposed acquisition on the local market within a radius of up to 1.5 km on a straight-line basis from Prince Cellars. However, we consider a 1 km or narrower geographic market is likely to be more appropriate as Prince Cellars is centrally located in the entertainment precinct of Fortitude Valley, which is characterised by high pedestrian activity and limited parking. While this differs to previous ACCC approaches of a 3 to 5 km radius for some local markets, we consider the unique nature of the area means the number of customers travelling by vehicle is very limited and the distance that pedestrians are willing to walk is likely to be shorter. The ACCC is continuing to consider the distance customers are willing to travel by foot to purchase liquor and the level of constraint provided by alternative liquor stores located within walking distance from Prince Cellars.

#### *Standardised offering*

35. The ACCC considers competition drives non-price factors such as product range, staffing levels, service levels, store quality, and level of convenience. The ACCC understands that many liquor chains, including the Endeavour brands,

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<sup>1</sup> ACCC, [Merger Guidelines 2008 \(updated 2017\)](#), paragraph 5.17.

and other banners such as Fleet Street, standardise major elements of their retail offers centrally across all stores in a region, for example by setting consistent prices across a region. The ACCC considers centralised or standardised decision making, such as price setting, does not mean that local competition conditions are not important. Furthermore, different liquor chains with varying footprints face different strategic trade-offs and incentives regarding the level of standardisation, which can change overtime or as a result of acquisitions.

The ACCC invites comments from market participants on its preliminary views about the definition of the relevant local market. In particular, market participants may wish to comment on:

- the proportion of customers in the Fortitude Valley area and entertainment precinct travelling by foot and by vehicle.
- the distance customers typically travel to visit liquor stores in the local area and the factors that influence how far a customer will travel.
- the extent to which customers view liquor stores in New Farm, Teneriffe, Newstead, Bowen Hills, and Spring Hill as substitutes for Prince Cellars.
- the impact of standardised offerings, for example state-wide pricing, on local competition.

The ACCC invites comments from market participants on the relevant markets for considering chain-on-chain competition between liquor store chains and the market for the wholesale supply of liquor.

### **Issue of concern: reduction in local competition in the retail supply of packaged liquor for off-site consumption**

36. The ACCC's preliminary view is that the proposed acquisition is likely to substantially lessen competition in the retail market for the supply of packaged liquor for off-site consumption because it would:

- increase the already significant concentration of Endeavour-owned liquor stores in the local Fortitude Valley area with limited independent alternatives.
- remove local competition between Prince Cellars and Endeavour's liquor stores, including the loss of Prince Cellars' competitive response to local BWS stores, and where other liquor retailers in the local area appear unlikely to provide a significant competitive constraint on Endeavour post-acquisition.
- reduce consumer choice in the local area by removing Prince Cellars' independent and differentiated offering including its range, extended trading hours, pricing and promotional cycles, and store quality.



### **Market concentration**

37. The ACCC's preliminary view is that the proposed acquisition would increase the already high concentration of Endeavour-owned liquor stores in the local Fortitude Valley area, which also has a significant presence of Coles-owned liquor stores and will remove an important independent competitor with a local focus. This is because:
- Endeavour would operate 3 takeaway liquor stores within 300 m of each other, 3 of 4 stores within a 10 minute walk of Prince Cellars, and 6 of 11 stores within a 15 minute walk of Prince Cellars in a popular area with significant foot traffic.
  - Further, Endeavour would operate 8 of 13 takeaway liquor stores within 1 km of Prince Cellars and 10 of 23 takeaway liquor stores within 1.5 km of Prince Cellars.
  - The proposed acquisition would remove Prince Cellars as one of 4 independent takeaway liquor stores within 1 km of Prince Cellars.
  - The liquor licence associated with the Prince Consort Hotel would give Endeavour the potential to operate an additional 2 liquor stores within the local area.
  - The proposed acquisition would remove the largest independent competitor by estimated weekly sales within 1 km of Prince Cellars.

### **Nearby BWS stores are likely to be Prince Cellars' closest competitors**

38. Market participants have indicated Prince Cellars competes closely with, and is competitively constrained by, Endeavour's liquor stores in the local area, particularly BWS Valley Central and BWS Fortitude Valley as the two closest alternative liquor stores within 300 m of Prince Cellars. These BWS sites are closer to Prince Cellars than any other takeaway liquor stores in the area.
39. Further, the ACCC's investigation indicates Prince Cellars and the local BWS stores offer a similar range of core products, including a diverse selection of beer, cider, wine, spirits, and ready-to-drink and non-alcoholic beverages in various package sizes. Market feedback has indicated Prince Cellars also offers alternative promotions and differentiates itself in response to nearby liquor stores such as BWS Valley Central and BWS Fortitude Valley.
40. We understand Prince Cellars caters to customers looking to purchase mainstream and premium products such as medium to high end wines and local craft beers, and those looking for convenience given its location and unique extended trading hours of 10am to midnight daily. The BWS Valley Central also offers convenience for commuters using the local train station or customers shopping at the adjoining Woolworths Metro store, and BWS Fortitude Valley is a smaller format store that stocks popular product ranges across various price points. The ACCC considers these stores are likely to compete closely given their geographic proximity and the type and range of products supplied and that Prince Cellars competitively responds to BWS Valley Central and BWS Fortitude Valley, such that this constraint will be lost with the acquisition.

41. The ACCC's preliminary view is that local BWS stores, particularly BWS Valley Central and BWS Fortitude Valley, likely provide the largest constraint on Prince Cellars including through its promotional cycles, range, and service levels, that will be lost with the acquisition, as discussed below.

**Competitive constraint from alternative liquor stores in the local area**

42. As discussed above, the ACCC considers the geographic market is likely to be narrow given the high pedestrian activity and limited parking in the Fortitude Valley area, and entertainment precinct, surrounding Prince Cellars. The ACCC considers pedestrian customers are more likely to travel to alternative liquor stores located up to 1 km (approximately 15 minutes' walking distance) from Prince Cellars. Five competing liquor stores will remain within 1 km of Prince Cellars, including:
- CRU Bar and Cellar, approximately 600 m on a straight-line basis and 10 minutes' walk from Prince Cellars, which has an extensive wine offering and some limited beer, sprints, and sake available for takeaway.
  - Black Sheep Bottle Shop Bowen Hills, approximately 600 m on a straight-line basis and 11 minutes' walk from Prince Cellars, with a mid-premium range of wine, beer, cider, spirits and pre-mixed beverages.
  - James St Bottle Shop, approximately 800 m on a straight-line basis and 15 minutes' walk from Prince Cellars with a standard range of wine, beer, cider, spirits and pre-mixed beverages.
  - First Choice Liquor (Coles-owned), approximately 1 km on a straight-line basis and 15 minutes' walk from Prince Cellars whose big-box liquor offering would likely compete more with Dan Murphy's in Newstead rather than the convenience liquor stores located in the centre of Fortitude Valley.
  - Vintage Cellars Spring Hill (Coles-owned), approximately 650 m on a straight-line basis and 10 minutes' walk from Prince Cellars with a fairly comparable offering of wine, beer, cider, spirits and pre-mixed beverages.
43. Market feedback has indicated that these stores may not materially constrain Prince Cellars. This includes because these stores are located further away from the target and are not centrally located within the Fortitude Valley entertainment precinct or along routes typically travelled by the majority of Prince Cellars' customers. These alternatives may be in a less convenient location for many customers given the impediments to non-pedestrians, including limited parking in the area.
44. There are 8 additional alternative retailers within 1.5 km of Prince Cellars for customers travelling by vehicle, including:
- Bowen Hills Beer Mart, approximately 1.5 km (6 minutes' drive) from Prince Cellars. Bowen Hills Beer Mart is a specialty beer shop, with a particular focus on craft beer, and some wine and cider.
  - Cellarbrations Fortitude Valley, approximately 1.1 km on a straight-line basis (4 minutes' drive) from Prince Cellars and located next to ALDI within a shopping

centre. Cellarbrations Fortitude Valley offers standard a range of wine, beer, cider, spirits, and pre-mixed beverages.

- Cellarbrations Spring Hill, approximately 1.1 km on a straight-line basis (4 minutes' drive) from Prince Cellars and located within a shopping centre. Cellarbrations Spring Hills offers standard a range of wine, beer, cider, spirits, and pre-mixed beverages.
  - Liquorland Brisbane City (Coles-owned) approximately 1.4 km (6 minutes' drive) from Prince Cellars and located next to Coles. Liquorland offers a standard range of wine, beer, cider, spirits, and pre-mixed beverages.
  - Malt Traders CBD approximately 1.4 km on a straight-line basis (7 minutes' drive) from Prince Cellars offers premium spirits, wine, and craft beer, with a particular focus on whiskey and smaller independent products.
  - SBH Cellars Kangaroo Point, approximately 1.3 km on a straight-line basis (4 minutes' drive) from Prince Cellars and offers premium wines, craft beer, and ciders.
  - The Bottle-O Spring Hill, approximately 1.1 km (4 minutes' drive) from Prince Cellars. Bottle-O offers a standard a range of wine, beer, cider, spirits, and pre-mixed beverages.
  - The Wine Emporium, approximately 1.3 km on a straight-line basis (6 minutes' drive) from Prince Cellars and located within a shopping centre near a Woolworths supermarket. The Wine Emporium is a specialty wine retailer, offering a wide range of Australian and international wines, and a selection of beer and cider.
45. We understand for customers travelling by vehicle several of these competing liquor stores likely have better parking options than those within Central Fortitude Valley (for example, where they are located inside a shopping centre). However, we consider a relatively small proportion of customers travel by vehicle in the local area, particularly to Prince Cellars, and for most customers these stores are unlikely to be a viable alternative to Prince Cellars.
46. The ACCC's preliminary view is that the merged entity would face limited competitive constraint from alternative retail liquor stores in the local area post-acquisition. As a result, customers in the local area, including commercial customers, may be disadvantaged by a reduction in choice of packaged liquor, may experience a lowering of service levels and site amenity, and may not benefit from price competition or differentiated promotional activity.

#### **Removal of Prince Cellars' independent and differentiated offer**

47. The ACCC is also considering whether the proposed acquisition will result in the loss of an independent and differentiated offer provided by Prince Cellars, and the impact this would have on competition in the local area. As mentioned above, national liquor chains (including the Endeavour brands) standardise major elements of their retail offerings centrally across several stores. However, independents generally have greater flexibility and incentive to competitively respond to local offerings in order to win market share. The ACCC is concerned the localised competition and differentiation provided by Prince Cellars in

seeking to win customers, including those from nearby BWS stores, will be lost with the acquisition.

*Product range*

48. Some market participants have indicated that Prince Cellars differentiates itself through a premium product offering and that this could be lost post-acquisition given no Fleet Street banner stores would remain in the local area.
49. Market participants noted that Fleet Street stores (including Prince Cellars) generally stock mainstream products that can be found in most liquor stores but that they also have greater discretion over their product offering compared to larger chains like Endeavour and Coles-owned stores. The ACCC considers the loss of Prince Cellars' ability to respond dynamically to local customer preferences and range products from alternative suppliers is likely to reduce choice in the local area.
50. Further, there is some concern that BWS stores typically stock a large proportion of private branded products and the removal of independent competition at Prince Cellars may have a negative impact on consumer choice in the local area. The proposed acquisition would replace Prince Cellars' independent and differentiated product offering with Endeavour's standardised offer (which is already available at 9 liquor stores within a 1.5 km radius, and at the two closest alternative liquor stores to Prince Cellars), which may lead to a significant reduction in choice for consumers in the local area.

*Pricing and promotions*

51. As mentioned above, the ACCC understands that independent stores, like Prince Cellars, can respond dynamically to prices and promotions set by Endeavour. While some market feedback indicated that pricing at Prince Cellars may generally be higher than BWS stores, we consider Prince Cellars competes with local BWS stores through its alternative promotional cycles and discount offerings. The ACCC is concerned the proposed acquisition will reduce competition in the local area by removing an important and geographically close independent store which offers customers competing promotional cycles to the nearby Endeavour-owned stores. This includes the loss of competitive constraint exerted by nearby BWS stores on Prince Cellars that can more easily respond to competing prices and promotions at a local level.

*Service levels and site amenity*

52. The ACCC considers local retail packaged liquor stores also compete on other non-price factors, such as service levels and site amenities. Market feedback has indicated the Fleet Street banner, including Prince Cellars, tends to be characterised by a sleek store fit-out to reflect its more premium offering and provides strong customer service. We also understand that it holds the only extended hours permit in the local area whereby it can operate every day from 10am to midnight, while alternative liquor stores typically do not operate past 11pm.
53. The ACCC is concerned that the proposed acquisition may impact competition regarding service levels (for example in relation to staffing levels and extended trading hours) and store quality (for example, less incentive over the long term to

ensure refurbishments are timely and expansive). This includes Prince Cellars' unique opening hours which may be lost if BWS does not continue to operate under extended trading hours in the future.

### **Barriers to entry or expansion and likelihood of new entry**

54. The ACCC is considering whether new entry or expansion would be likely, timely and sufficient to prevent a substantial lessening of competition that might otherwise result from the proposed acquisition.
55. Market feedback has suggested that barriers to new entry and expansion in the retail supply of packaged liquor for off-site consumption in the Fortitude Valley area are likely to be high and include:
- the regulatory requirement for liquor stores to be associated with a Commercial Hotel Licence.
  - the time and costs associated with licensing requirements.
  - the high saturation of liquor licences in the local area (with the Fortitude Valley area having the highest concentration of Commercial Hotel Licences in Queensland).
  - the difficulty for independents to enter and compete against the significant scale and established brand of large chains in the local area, including those operated by Endeavour and Coles (which operates Liquorland, First Choice, and Vintage Cellars retail liquor stores).
56. The ACCC's preliminary view is that barriers to enter the retail supply of packaged liquor for off-site consumption in the Fortitude Valley area are high and independent retailers may have limited ability and incentive to enter. The ACCC is considering the height of barriers to entry and expansion and whether Endeavour would be competitively constrained by the threat of new entry post-acquisition.

The ACCC invites comments from market participants on its preliminary views in relation to the retail supply of packaged liquor for off-site consumption in the local area surrounding Prince Cellars. In particular market participants may wish to comment on the following:

- market concentration and the extent to which Endeavour's share of the local market would increase as a result of the proposed acquisition.
- the degree of the competitive constraint provided by other competitors in the local area on Prince Cellars, BWS Valley Central and BWS Fortitude Valley.
- the extent to which Prince Cellars provides a differentiated retail offer from local BWS stores and other liquor stores in the local area.
- the value of Prince Cellars' differentiated retail offer to consumers, and the impact it has on competitors.
- the height of barriers to entry and expansion in the local area and likelihood of new entry/expansion in the short to medium term.

## **Issue unlikely to raise concerns: wholesale supply of liquor**

57. The ACCC is considering the effect of the proposed acquisition on competition in the wholesale market for liquor supplied to liquor stores and other hospitality venues.
58. The wholesale supply of liquor has elements on a regional (such as Brisbane), state, and national level given the business model of distribution via warehouses across each state and territory or a relevant area. The ACCC has not reached a concluded view on the geographic scope of these markets but does not consider it impacts on the competition assessment.
59. Market participants have raised general concerns the proposed acquisition would further entrench Endeavour's already dominant wholesale position and reduce the efficiency and competitiveness of independent wholesalers. Some participants also raised concerns the proposed acquisition would limit the ability of liquor suppliers to reach customers, noting that volume and trading terms with independents are more flexible than Endeavour.
60. However, the ACCC's preliminary view is that the proposed acquisition is unlikely to result in a substantial lessening of competition in the wholesale market for liquor supplied to liquor stores and other hospitality venues, regardless of whether this is a Brisbane market or a broader market. Our preliminary view is that Prince Cellars is unlikely to be of sufficient size to materially impact the wholesale costs of Endeavour or independent wholesalers.

The ACCC invites comments from market participants on the impact of the proposed acquisition on the wholesale supply of liquor to liquor stores and hospitality venues on a regional, state, or national level.

## **Issue unlikely to raise concerns: reduction in chain-on-chain competition between liquor stores**

61. The ACCC's preliminary view is that the proposed acquisition is unlikely to result in a substantial lessening of competition in chain-on-chain competition between retail liquor brands on a regional, state, or national level.
62. The ACCC considers that having strong alternative liquor store banners to those operated by Endeavour and Coles is important for consumers to benefit from differentiated price, range, and service offerings. The ACCC is considering whether the loss of Prince Cellars' Fleet Street banner will reduce ILG's geographic presence and brand awareness and impact the overall strength of ILG on a regional, state, or national level.
63. The ACCC's preliminary view is that the proposed acquisition is unlikely to substantially lessen chain-on-chain competition regardless of the geographic scope of the relevant market. Post-acquisition, ILG will continue to have 7 Fleet Street banner stores in Queensland outside Fortitude Valley, as well as the liquor stores which trade under its various other banners. The ACCC considers there would continue to be a significant number of ILG retailers in Queensland such that the proposed acquisition would not materially reduce the geographic

presence, brand awareness, or group purchasing power on a regional or on a wider geographic basis.

64. However, the ACCC considers that the removal of one store, especially if combined with other acquisitions over time within a pattern of serial acquisitions, could result in significant adverse impacts on chain-on-chain competition on a regional or broader geographic level.

The ACCC invites comments from market participants on the impact of the proposed acquisition on chain-on-chain competition on a regional, state, or national level.

## Issue unlikely to raise concerns: competition in other markets

65. The ACCC's preliminary view is that the proposed acquisition is unlikely to substantially lessen competition in the provision of liquor for onsite consumption, gaming, and entertainment/dining in the local area around the Prince Consort Hotel.
66. Endeavour operates two hotels within a 1.5 km radius of Prince Cellars, the Brunswick Hotel (approximately 837 m from Prince Cellars) and Hello Gorgeous (approximately 833 m from Prince Cellars). Post acquisition, there will remain at least 80 competing hotels/hospitality outlets within 1.5 km of the Prince Consort Hotel, including 4 hotels within 250 m of the Prince Consort Hotel. The ACCC considers these competitors would continue to constrain Endeavour post-acquisition in the hotel market.

The ACCC invites comments from market participants on the impact of the proposed acquisition on the retail supply of products/services available at hotels and hospitality venues.

## ACCC's future steps

67. As noted above, the ACCC invites submissions from market participants on each of the issues identified in this Statement of Issues and on any other issue that may be relevant to the ACCC's assessment of this matter. Submissions should be emailed to [mergers@acc.gov.au](mailto:mergers@acc.gov.au) by no later than **5pm on 25 January 2024**.
68. The ACCC will finalise its view on this matter after it considers submissions invited by this Statement of Issues.
69. The ACCC intends to publicly announce its final view by **21 March 2024**. However the anticipated timeline may change in line with the *Informal Merger Review Process Guidelines*. A Public Competition Assessment explaining the ACCC's final view may be published following the ACCC's public announcement.