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Our ref: IM-70359
Contact officer: Asa Tan / Stella Leung
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23 August 2019

Dear Interested Party

Request for submissions: Asahi's proposed acquisition of CUB

The Australian Competition and Consumer Commission (**ACCC**) is seeking your views on the proposed acquisition of Carlton & United Breweries (**CUB**), the Australian business of Anheuser Busch InBev SA/NV (**AB InBev**), by Asahi Group Holdings, Ltd (**Asahi**) (the **proposed acquisition**).

In Australia, both Asahi and CUB manufacture and distribute a range of beer, cider and spirits products. Further details regarding the acquisition can be found at **Attachment A**.

The ACCC's investigation is focused on the impact on competition. In particular, we are seeking your views on:

- whether Asahi and CUB compete closely for the supply of beer, cider and spirits products
- the likely impact on prices
- the extent to which large customers, such as supermarket chains, hotel groups or distributors, could sponsor entry or expansion by a rival supplier if the proposed acquisition were to result in a price increase.

Further issues you may wish to address are set out in **Attachment B**.

This matter is public and you can forward this letter to anybody who may be interested.

The legal test which the ACCC applies in considering the proposed acquisition is in section 50 of the *Competition and Consumer Act 2010*. Section 50 prohibits acquisitions that are likely to have the effect of substantially lessening competition in a market.

Please provide your response by no later than **5pm on 6 September 2019**. Responses may be emailed to mergers@acc.gov.au with the title: *Submission re: Asahi CUB - attention Asa Tan / Stella Leung*. If you would like to arrange a time to discuss the matter with ACCC officers, or have any questions about this letter, please contact Asa Tan on 02 9102 4091 or Stella Leung on 03 9658 6444.

Updates regarding the ACCC's investigation will be available on the ACCC's Public Mergers Register at ([ACCC mergers register](#)).

Confidentiality of submissions

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 *Competition and Consumer Act 2010*. 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, if the information provided to the ACCC is of a confidential nature, please indicate as such. Our [Informal Merger Review Process Guidelines](#) contain more information on confidentiality.

Yours sincerely



Tom Leuner
General Manager
Merger Investigations

Attachment A

Asahi

Asahi manufactures and sells alcoholic beverages, soft drinks and food products in Japan and internationally. In Australia, Asahi manufactures and supplies a range of international and domestic beer brands, cider and spirits, including:

- **Beer** – Asahi Super Dry, Asahi Soukai, Peroni, Cricketers Arms, Pilsner Urquell, Grolsch and Mountain Goat.
- **Cider** – Somersby under licence from Carlsberg.
- **Spirits** – Nikka Whisky, Vodka Cruiser, Woodstock Bourbon, VDKA 6100, Mist Wood Gin, Untold Spiced Rum, Vodka O, Highland, Wild Moose, Tequila Blu, and Spicebox Whisky.

Asahi also distributes a portfolio of non-alcoholic beverages. Asahi's carbonated soft drink range includes Schweppes, Pepsi, Phoenix Organics, Mountain Dew, Solo, Sunkist, Alt and Passiona. Asahi also supplies a number of water, cordial, sports, juice and iced tea brands, including Cool Ridge, Frantelle, Voss, Cottees, Gatorade, Charlie's, Spring Valley and Real Iced Tea Co.

On 21 August 2019, it was announced that Asahi acquired Queensland craft brewer Green Beacon Brewing.

Asahi has two breweries located in Laverton and Richmond, Victoria.

AB InBev / CUB

CUB is owned by the Belgium-headquartered, multinational brewing company AB InBev. CUB is a Victorian-headquartered Australian brewing company, which produces a range of beer, cider and spirit brands, including:

- **Beer** – Great Northern, Victoria Bitter, Carlton Draught, Carlton Dry, Cascade Premium, Pure Blonde, Matilda Bay, Fat Yak, Melbourne Bitter, Crown Lager, Pirate Life, 4 Pines, Foster's and Reschs. CUB also imports or manufactures and then distributes a range of other beer brands under licence, including Goose Island, Corona, Stella Artois, Belle-vue, Hoegaarden, Leffe, Beck's, Lowenbrau, Franziskaner, Spaten and Budweiser.
- **Cider** – Strongbow, Mercury, Bonamy's, Little Green, Spring Cider Co, Dirty Granny, Pure Blonde Cider. CUB also manufactures and distributes Bulmers under licence from Heineken.
- **Spirits** – Cougar, Black Douglas, Lexington Hill, Karloff, Continental Liqueurs, Coyote and Prince Albert.

CUB operates six breweries in Yatala (Queensland), Abbotsford (Victoria), Hobart (Tasmania), Brookvale (New South Wales) and Port Adelaide and Hindmarsh (South Australia).

The transaction

The proposed acquisition was announced on 19 July 2019 and involves Asahi acquiring CUB by way of a share acquisition.

Attachment B

1. Please provide a brief description of your business or organisation.
2. Please outline the reasons for your interest in the proposed acquisition, including any commercial relationship/s with either of Asahi or CUB.
3. Please provide your view on the relevant market(s) in which you consider Asahi and CUB compete.
4. Is cider a separate market, or is it in the same market as beer or other ready to drink alcoholic beverages? For example, do you consider that the pricing of cider is constrained by the availability of other alcoholic beverages in Australia?
5. Currently Asahi is much smaller than CUB and Lion in terms of beer sales in Australia. How likely is it that Asahi will significantly expand sales in Australia in the future if the acquisition of CUB does not proceed?
6. How closely do Asahi and CUB compete with each other in the supply of beer, cider and spirits products? In particular, please comment on whether there is anything unique about the products supplied by Asahi and CUB. You may wish to comment on factors such as price or product range.
7. How closely do brands owned by the major supermarket chains compete with Asahi and CUB in the relevant market(s)? Do you consider that these brands would provide an effective competitive constraint on a combined Asahi/CUB?
8. Please describe the extent to which large customers, such as supermarket chains, hotel groups or distributors, could sponsor entry or expansion by a rival supplier.
9. Please outline your views on barriers to entry and expansion in the relevant market(s), having regard to the following factors:
 - a. set up costs and capital requirements
 - b. the scale necessary to supply at competitive prices
 - c. timeframe for new entry
 - d. existing brand loyalty and recognition
 - e. any relevant strategic alliances, long-term supply contracts or exclusionary arrangements.
10. Please describe the potential for overseas beer and cider brands, not currently supplied in Australia, to be introduced into the Australian market(s). Please identify and describe any examples.
11. Please describe the ability for international brewers to be able to switch their distribution arrangements with Australian companies. Please identify and describe any examples.
12. Please provide any additional information or comments, or identify other competition issues, that you consider relevant to the ACCC's consideration of the proposed acquisition under section 50 of the Act.