



THE MONOPOLIES AND MERGERS COMMISSION

**Scottish & Newcastle
Breweries PLC
and
Matthew Brown PLC**

A report on the proposed merger

*Presented to Parliament by the
Secretary of State for Trade and Industry
by Command of Her Majesty
November 1985*

LONDON

HER MAJESTY'S STATIONERY OFFICE

£6.10 net

Cmd. 9645

ISBN 0 10 196450 1

**Members of the Monopolies and Mergers Commission
as at 18 October 1985**

Sir Godfray Le Quesne QC (*Chairman*)
Mr H H Hunt (*Deputy Chairman*)
Sir Alan Neale KCB MBE (*Deputy Chairman*)
Mr D G Richards* (*Deputy Chairman*)
Mr J G Ackers
Mr C C Baillieu
Mr M B Bunting
Mr K S Carmichael CBE
Sir Robert Clayton CBE
Mr P H Dean
Professor K D George
Mr H L G Gibson OBE
Professor R M Goode OBE
Mr D G Goyder
Mr G D Gwilt
Mr L Kelly
Mr M S Lipworth
Professor S C Littlechild
Miss P K R Mann
Mr S McDowall CBE*
Mr L A Mills
Mr B C Owens*
Professor R Rees
Mr J S Sadler CBE
Mr N L Salmon
Mr R G Smethurst*
Sir Ronald Swayne MC
Mr D P Thomson
Mr C A Unwin MBE*
Mr S Wainwright CBE*
Mr N E D Burton (*Secretary*)

*These members formed the group which was responsible for this report (see paragraph 1.2).

Contents

<i>Chapter</i>		<i>Page</i>
1	Introduction	1
2	The brewing industry	3
3	Scottish & Newcastle Breweries plc	15
4	Matthew Brown PLC	24
5	The proposed merger and the views of the main parties ..	32
6	The views of third parties	51
7	Conclusions	61

Appendices

The numbering of the appendices indicates the chapters to which they relate.

2.1	Regions of Great Britain: beer sales (million barrels) in 1984	68
2.2	Numbers of managed and tenanted on-licences at February 1985	69
2.3	Public policies in relation to the brewing industry	70
5.1	Scottish & Newcastle and Matthew Brown beer brands as supplied to the North-West England market	76

Introduction

1.1. On 24 April 1985 the Department of Trade and Industry sent to the Commission the following reference:

Whereas it appears to the Secretary of State that it is or may be the fact that arrangements are in progress or in contemplation which, if carried into effect, will result in the creation of a merger situation qualifying for investigation as defined in section 64(8) of the Fair Trading Act 1973 ('the Act'), in that:

- (a) enterprises carried on by or under the control of Matthew Brown PLC (a body corporate incorporated in the United Kingdom) will cease to be distinct from enterprises carried on by or under the control of Scottish & Newcastle Breweries plc; and
- (b) the value of the assets which will be taken over exceeds £30 million.

Now, therefore, the Secretary of State in exercise of his powers under sections 69(2) and 75 of the Act hereby refers the matter to the Monopolies and Mergers Commission for investigation and report within a period of six months beginning with the date of this reference.

In relation to the question whether a merger situation qualifying for investigation will be created if the arrangements herein referred to are carried into effect the Commission shall exclude from consideration section 64(1)(a) of the Act.

(Signed) M J VILE
An Assistant Secretary
Department of Trade and Industry

24 April 1985

1.2. On 1 May 1985 the Chairman of the Commission, acting under section 4 of the Fair Trading Act 1973 and Part II of Schedule 3 thereto, directed that the functions of the Commission in relation to the reference should be discharged through a group consisting of six members of the Commission under the chairmanship of Mr D G Richards, a Deputy Chairman of the Commission. On 29 May Mr G D Gwilt resigned from the Group and Mr S McDowall was appointed to the Group. The composition of the Group from that date is indicated in the list of members of the Commission which prefaces this report.

1.3. Notices inviting interested parties to submit evidence to the Commission were inserted in:

Daily Telegraph
Financial Times
The Guardian
The Times

Licensee
Morning Advertiser
Pub Leader
What's Brewing

1.4. In addition we sought evidence and views directly from Government departments, the Confederation of British Industry, the Trades Union Congress, the major institutional shareholders of Matthew Brown PLC, brewers and companies supplying the brewing industry, retailers, relevant trade associations and organisations representing consumers' interests. The views of those who responded are summarised in Chapter 6.

1.5. A visit was made by members of the Group, accompanied by staff, to the brewery installations of Matthew Brown PLC (Matthew Brown) in Blackburn and Scottish & Newcastle Breweries plc (Scottish & Newcastle) in Edinburgh. Written submissions to the Commission were also made by Matthew Brown and Scottish & Newcastle.

1.6. We held oral hearings with Matthew Brown and Scottish & Newcastle (two each), other brewers, Campaign for Real Ale Limited, Mr Jack Straw MP, Working Men's Club & Institute Union Limited and trades unions having members at establishments of Scottish & Newcastle and Matthew Brown.

1.7. Some of the evidence obtained in the course of our inquiry was of a confidential nature; our report contains only such information as we consider necessary for an understanding of our conclusions.

1.8. We should like to thank all those who helped us in our inquiry, particularly the two companies principally involved, and The Brewers' Society which provided information on the industry background.