



Revocation of Beer Orders

**Notice pursuant to Sections 91(2) and 91(1) of, and Schedule
9 to, the Fair Trading Act 1973**

**A submission from the Campaign for
Real Ale**

June 2002

1.0. Executive Summary

- 1.1. CAMRA welcomes the opportunity to comment on the Government's intention to revoke the Beer Orders.
- 1.2. CAMRA does not support revocation of all or any part of the Orders without a full assessment of the impact of revocation on competition, consumer choice, prices, pubs and small brewers. This assessment should be part of a wider Government review of the beer & pubs industry leading to amendments to the existing orders, or to their replacement by new legislation to counteract the anti-competitive effects of the complex monopoly which exists in the industry today.
- 1.3. CAMRA recognises that market developments, in particular the large scale separation of brewing and pub ownership, have rendered some aspects of the Beer Orders irrelevant in today's market. However, we do not believe that they have outlived their usefulness in promoting consumer choice and competition as they act as a very effective barrier to consolidation in vertically integrated brewing companies.
- 1.4. While few pubs have guest beer rights under the Orders at present, these act as a preventative measure to help protect consumers should existing vertically integrated brewers extend their estates over 2000 pubs. While the Orders would not prevent the growth of such companies, they do ensure that tenants would have the option to offer a guest beer¹ to their customers, thus promoting choice and providing potential and much-needed outlets for small brewers' beers.
- 1.5. Furthermore, we believe that in light of recent consolidation in brewing and pub retailing and the onslaught of global companies in the UK beer market, it is quite possible that an existing major brewer may act to protect its market share through the acquisition of a pub estate, which, following revocation, could lead to less choice for consumers².
- 1.6. We also believe that revocation of the Order which prevents brewers from selling pubs with clauses preventing them from being pubs in the future will lead to pub closures, particularly in rural and non-town centre communities. Community pubs are already closing at an alarming rate and revocation would simply accelerate this trend³.
- 1.7. Revocation of the Order which prevents brewers from refusing to supply beer (except in certain circumstances) may well lead to anti-competitive practices by larger brewers. We believe this provision is entirely relevant to today's market as the leading lager and ale brands lie in the hands of a few global

¹ A draught cask-conditioned beer *and* a bottle-conditioned beer supplied by whoever the tenant chooses

² There has been wide speculation in the media of link-ups in distribution for example, between Coors and Interbrew UK

³ CAMRA market research in 2000 showed that an average of twenty pubs a month are closing

brewers⁴ who do not have tied estates and therefore rely largely on brand and market power to sell their beers.

- 1.8. We are also opposed to the revocation of the Order which forces brewers to publish wholesale price lists. We believe this would be very unwise at a time when there is a great deal of debate about the ethics of discounting in the beer market. This provision ensures a degree of openness for all parties, but in particular, helps potential pub tenants and leaseholders gauge their competitive position with other pubs.
 - 1.9. In summary, we recognise that structural changes in the industry since 1990 mean that the Beer Orders no longer meet the needs of the market and need to be amended or replaced by new legislation, in order to protect consumers from consolidation in brewing and pub ownership. However, revocation, prior to the introduction of alternative legislative protection, would be damaging and may cause the market to partially revert to a complex monopoly similar to that recognised by the MMC in 1989.
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⁴ Coors, Interbrew, Scottish Courage, Carlsberg-Tetley. See appendix 3 and 4 for details of major brands

2.0. Introduction

- 2.1. This submission is the formal response of the Campaign for Real Ale to the Government announcement on 19th February 2002 of its intention to revoke the Supply of Beer (Tied Estate) Order 1989 (Amended 1997) and the Supply of Beer (Loan Ties, Licensed Premises and Wholesale Prices) Order 1989.
- 2.2. There is no doubt that the beer and pubs industries have been subject to massive structural and strategic change since 1990. CAMRA summarises the key changes as follows:
- Separation of brewing and pub ownership – large-scale reduction in vertical integration.
 - Consolidation in brewing – fewer brewers with increased market shares.
 - Consolidation in pub retailing – the onslaught of large non-brewing pub chains has dominated the market.
 - Increased brand penetration in both the beer and pubs market.
 - Increased wholesale price competition (discounting) in response to the breakdown of vertical integration.
 - Changed profile of consumer choice.⁵
 - The ongoing exclusion of small brewers' products from the on-trade.
- 2.3. A key development in the brewing industry since 2000 is the arrival of multi-national companies following the sale of Bass Brewers and Whitbread Beer Company in 2001 and the sale of 'Carling Brewers' to Coors in 2002 following the Secretary of State's ruling on the Bass/Interbrew proposed merger. There are now four key players with approximately 85% of the beer market, compared to 'the big six' of 1990.
- 2.4. The top four companies dominate the market through marketing, discounting, distribution and brand superiority, a situation which could be made worse if the Orders were revoked.
- 2.5. The Office of Fair Trading review of the Beer Orders in 2000 stated that it was:
- “concerned that the increasing concentration in the market at both brewing and retailing levels may, in the longer term, lead to competition being less intense through the demise of independent wholesaling and thence smaller brewers and truly independent free houses”*
- 2.6. We concur with this view. While the OFT concluded that some provisions were outdated and no longer required, it recommended that certain provisions should be maintained.
- 2.7. In line with the OFT findings and in light of developments in the industry since the review in 2000, CAMRA recommends that the Orders are left intact until a full review of the entire industry is completed by the Office of Fair

⁵ Most notably, the increased market share of wine and flavoured alcoholic beverages (FABs)

Trading. The Director General decided that the industry was not suited to regulation by the Beer Orders as they stood. This is not a reason to revoke the Orders, but rather to consider the need for amendments to meet the needs of today's changed market.

- 2.8. In December 2000 CAMRA cautiously welcomed the announcement by Stephen Byers, the then Secretary of State for Trade and Industry, that he was minded to accept the recommendations of the director general following the OFT review, but that he wished to retain the provisions relating to guest beers and restrictive covenants on pub sales.
 - 2.9. The Secretary of State claims that the subsequent sale of 1,700 Whitbread pubs now 'puts a completely different complexion on the matter'⁶. This view, however, ignores totally the very real threat of vertically integrated medium-sized brewers buying more pubs, pub chains buying breweries and a relatively weak large brewer buying a pub estate. Each scenario demonstrates the continued importance of the Orders as a preventative measure.
 - 2.10. While we accept that the OFT will be diligent and act against individual cases of anti-competitive behaviour, this will not be sufficient to maintain the unique diversity still enjoyed by UK consumers.
 - 2.11. ***Revocation will accelerate consolidation in brewing and pub ownership and will soon reduce the UK industry to the high levels of concentration suffered by the majority of the World's beer markets.***
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⁶ Hansard, House of Commons, Adjournment Debate, 10th April 2002

3.0. CAMRA's interests and grounds for response

- 3.1. CAMRA is a volunteer-led consumer group with 64,000 individual members.
 - 3.2. CAMRA played a major role in the Monopolies and Mergers Commission investigation in 1986-89 and has been involved with and consulted on subsequent consultations and investigations in 1997 and 2000. We have also been consulted and have given evidence on various mergers and take-overs during the 1990s.
 - 3.3. CAMRA is the biggest single-issue group representing the views of Britain's beer drinkers and pub users. While we have no commercial interests in brewing and pub retailing, we believe it is essential that the views of consumers are heard on this issue.
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4.0. The Effects of Revocation on Consumer Choice

- 4.1. The guest beer provision was largely successful in promoting choice for consumers, weakening the tie by allowing tenants to take an additional beer of their choice and initially reducing concentration in pub ownership.
 - 4.2. Following the introduction of the guest beer provision, the public expected a wider choice of beers in all pubs, and it is true that the key impact of the provision has been the knock-on effect on consumer expectations.
 - 4.3. CAMRA recognises that the guest beer provision currently only applies to a small number of pubs. However, the provision should be left intact for two reasons:
 1. It is quite likely, given recent developments in brewing that following revocation of the Orders one or more large brewers, which do not have a pub estate at present will take steps to acquire pubs to protect their market position.
 2. It is quite likely that large regional brewers may take steps to purchase pubs, which could lead to them owning more than 2000 pubs.
 - 4.4. *Following revocation of the guest beer provision consumer choice would decline if either or both of these situations should arise.*
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5.0. The Effects of Revocation on Competition

- 5.1. In 1990, the UK beer market was made up of national brewers (defined as those having 2000 pubs or more), regional brewers, family brewers and a few small (or micro) brewers.
- 5.2. Following the sale of Bass Brewers and the Whitbread Beer Company to Interbrew in 2001, the subsequent sale of the Carling Beer Company to Coors in 2002 and the acquisition of Kronenbourg SA and other foreign interests by Scottish & Newcastle, the UK market is now dominated by global companies.
- 5.3. No national brewers, within the definition of the Beer Orders exist in 2002.
- 5.4. However, it is apparent that a 'new' tier of national brewers is on the horizon as regional brewers, most notably Greene King and Wolverhampton and Dudley Breweries (W&DB), have made acquisitions in brewing and pubs.
- 5.5. Greene King now has 1900 pubs following the acquisition of the Morrells Pub Company in June 2002. A pattern of acquisitions demonstrates the growth strategy of the company and it is likely to exceed 2000 pubs following the revocation of the Beer Orders.
- 5.6. W&DB exceeded 2000 pubs for a brief period in 2001 when it was forced to write to its tenants making it clear that they were entitled to take a guest beer. This 'right' was quickly removed as the company reduced its estate to under 2000 pubs.
- 5.7. Furthermore, it is quite possible that a large pub company which currently has no brewing interests may respond to revocation by buying a brewery and beer brands leading to further consolidation and reductions in consumer choice and steering the market back towards vertical integration.
- 5.8. McMullens of Hertford is for sale. Cains of Liverpool is for sale and there are doubts hanging over the future of the brewing interests of Brakspear of Henley on Thames.

The Guest Beer Provision

- 5.9. CAMRA strongly believes that these examples demonstrate the importance of maintaining the guest beer provision to promote competition in brewing and pub retailing.
- 5.10. We believe that the provision:
 1. Plays a role in preventing consolidation in regional brewing as brewers do not generally want to allow their tenants to buy a draught and bottle-conditioned beer outside the tie
 2. Promotes fairer competition by providing an avenue to market for small local brewers
 3. Acts as a deterrent to consolidation in pubs retailing

- 5.11. While the Orders will not prevent a large brewing company purchasing a brewery, they will at least ensure that if the resultant 'brewer' has 2000 pubs or more, then tenants would have the right to take a guest beer.**

Small Brewers

- 5.12. Ongoing consolidation in brewing and pub retailing is a serious threat to consumer choice and has greatly reduced access to market for small brewers, many of which set up in the early 1990s to take advantage of the new markets provided by the guest beer provision and the renewed interest in traditional, locally brewed beers.
- 5.13. CAMRA accepts that at the national level consumer choice has increased in terms of the average number of beers available over the bar in a typical pub. However, we do not believe that the current market place can continue to support Britain's 350 small brewing enterprises which are largely excluded from the on-trade as the market consolidates.
- 5.14. Any increase in consumer choice of regional brands has happened as a result of pub chains making beers available to their tenants/managers from a number of brewers or other brewers with tied estates buying additional high-profile premium brands from wholesalers. These brands are, in most cases, from larger regional and family brewers as smaller brewers do not have the capacity to supply large pub chains individually.
- 5.15. While the recent introduction of progressive beer duty will help small brewers to compete through investment in production and marketing, it will not improve access to market if consolidation continues without the guest beer provision.
- 5.16. The Society of Independent Brewers stated in its response to the Government's announcement of its intention to revoke the Orders that:

'The potential result of the removal of this legislation could and will leave the small brewers with an even more restricted access to market and ultimately less choice for consumers....to withdraw one regulation, without making immediate provision for another that applies to the current market situation, leaves the small brewer, smaller supplier and consumer in a very vulnerable position.'

- 5.17. We concur with this view.

Refusing to supply beer

- 5.18. Since the introduction of the Beer Orders and the creation of large brewing companies which do not own pubs, the development of brand power and creation of 'must stock' brands has been a key feature of the beer market.

- 5.19. The result is that the top four brewers each have a portfolio of beers on the national stage. It makes perfect sense that they would like to sell a basket of their beers to each customer, rather than supply only one beer.
- 5.20. Indeed, while our evidence is anecdotal, it is well known that pressure is put on pub owners and managers to stock a number of products from the same brewer if they want access to market leading 'must have' brands.
- 5.21. CAMRA believes that revocation of the provision which prevents brewers from refusing to supply beer except on certain grounds could lead to a resurgence of these practices to the detriment of competition (particularly for family brewers) and consumer choice as the number of beers from different brewers on each bar could decrease.

Wholesale Price Lists

- 5.22. We do not welcome the proposed revocation of the Order which forces brewers to publish their wholesale beer prices.
 - 5.23. We believe that, in a market led by discounting practices, it is important that each customer has clarity in the level of discount they are, or are not, being offered. Wholesale price lists would enable lessees of pub companies to determine what price they should be paying for their beer.
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6.0. The Effects of Revocation on Pubs in the Community

- 6.1. Research carried out by CAMRA in 2000 indicated that twenty pubs a week are closing and that the huge majority of these were rural or community pubs.
 - 6.2. We welcome the recent recognition by the Government of the plight of village pubs and the introduction of mandatory rate relief for sole village pubs in 2001.
 - 6.3. We also welcome the concern expressed to the DTI over the proposed revocation of the Orders by the Countryside Agency.
 - 6.4. We also welcome and encourage other developments in the promotion of the importance of pubs to communities including planning developments and the 'Pub is the Hub' initiative.
 - 6.5. We believe that the revocation of the provision which prevents brewers from selling pubs with clauses preventing them from being pubs in the future will work against these initiatives and will lead to pub closures in rural, inner city and suburban communities.
 - 6.6. For example, it makes perfect commercial sense that if a brewer owns two (or more) pubs in a small village and if the business of one pub declines, he can close the poor performing pub and divert custom to the remaining pub(s). At present, the incentive to do this is reduced by this provision, but if the brewer was able to prevent the pub being sold as a pub this would be potentially damaging to the community and could lead to local monopolies.
 - 6.7. Local Authorities are now regularly turning down applications for change of use to pubs, particularly in rural areas. If this provision is revoked there could be a situation where the local authority refuses change of use permission, but because of a restrictive covenant, the pub cannot be used as a pub by a new owner. This could effectively leave the building idle.
 - 6.8. ***While it is an economic reality that pub going has declined in the last quarter of the twentieth century and that not all pubs can be viable in this climate, CAMRA believes that pub owners should have to attempt to sell pubs as pubs, not as private residences.***
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7.0. Creating a Level Playing Field

- 7.1. While CAMRA does not support revocation of the Orders for the reasons stated above, we do believe that they need to be updated, as the provisions only apply to brewers, when more pubs are now owned by non-brewing pub chains.
 - 7.2. The Beer Orders led to a transfer of ownership of pubs from brewers to pub chains. In 2002 consolidation continues and the six largest pub companies now own over 20,000 pubs (a third of the total pub stock), creating a complex monopoly which, while different in structure to that which existed in 1989, has similar effects on consumers and small brewers. The size of and the discounts demanded by these large pub chains restrict access to market for small brewers. Perhaps of more importance, discounts are not passed onto consumers, and from that viewpoint the Beer Orders have failed in their objective.
 - 7.3. In line with our policy, CAMRA would like to see amendments to the orders which extend the guest beer provision to large pub chains and/or those companies which take the majority of their beer requirements from one or more national brewer.
 - 7.4. We also believe that the pub estates of chains meeting the above criteria should be capped in a similar way as national brewers. Recent churning of large pub estates have excluded smaller pub owners who simply cannot afford to bid for large estates and where sellers are reluctant to divide estates for more than one buyer. Without action to curb the growth of individual pub chains, they will continue to bleed the profits from brewing and destroy what is still, despite these pressures, a diverse and unique brewing industry.
 - 7.5. We recognise that this would require new legislation based on recommendations following an investigation by the Competition Commission.
 - 7.6. ***We therefore urge the Government to instigate such a review and not to revoke the Beer Orders until the conclusions of a full investigation have been considered.***
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8.0. Conclusion and Recommendations

- 8.1. Revocation of the Beer Orders is likely to damage consumer choice, reduce the access to market for small brewers and accelerate consolidation in brewing and pub retailing.
 - 8.2. CAMRA recommends that the Orders are left intact until a full review of the industry has been completed leading to the amendment and extension of the Orders to meet the needs of today's market which will result in a fairer competitive environment while still offering protection for consumers.
 - 8.3. Certainly, the Orders should not be revoked without a full public consultation and until a proper regulatory impact assessment has been carried out.
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*The Campaign for Real Ale
June 2002*

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Appendices follow

Appendices

Appendix 1

The UK Brewing Industry today

How the beer market has changed since 1989 - CAMRA's views

An overview of changes in the beer and pubs market since 1989 with regards to the adverse effects identified by the MMC may help build a fuller picture of the relevance and effectiveness of the Beer Orders in 2002.

The MMC investigation took place during a brief period of growth in the total consumption of beer in the UK. Since 1990 the market has been declining by 2 to 3% a year with the exception of small year on year increases in 1994, 1996 and 1997.

Lager is still gaining market share (as it was in 1989) and represented 63.7% of the total beer market in 2000. Conversely, the share of ales and stouts is decreasing and represented only 36.3% in 2000 compared with 48.6% in 1990.

Within the ales and stouts sector, despite an initial growth period for cask-conditioned ales between 1990-94, the share of this category has fallen from around 17% in 1994 to only 8.9% in 2000. However, recent reports have indicated that this percentage might be under reported since it ignores much of the production from the many new small brewers which have set up over the last twenty years.⁷

Conversely the four largest brewers in the United Kingdom have tended to concentrate their production and marketing efforts on a few key brands; most of which are either lagers or nitro-keg brands.

The lager market remains dominated by national and international brands and the market has consolidated with market share gains for the five top brands (*see appendix 4*). It is likely that this consolidation will continue with fewer major brands receiving major support.

The MMC noted that ales were (in 1989) "*usually promoted as a product with strong local and Regional characteristics*". Throughout the 1990s ale marketing has tended to follow lager patterns with the establishment of key national brands by national brewers. These brands are in most cases, not predominantly sold in cask form.

The MMC noted the growth in off-trade sales. The off-trade in 1989 represented approximately 15% of the total beer market. In 2000 this figure is nearer 33%. Although the off-trade market has not grown as fast as most speculators predicted, it has still increased by over 100% since 1990.

The MMC noted the lack of growth in the number of full on-licence premises. While there has been some growth since 1989, this is mainly in hotels rather than public houses. There are currently approximately 60,000 pubs in the UK.

⁷ The Business Guide to the Cask Ale Market 2001, Martin Information Ltd

Despite only small changes in the total number of pubs the face of the pub industry has changed. Closures have tended to be more traditional community outlets while new licences have tended to be larger town centre pubs.

The MMC estimated that (in 1989) brewers owned around 75% of the public houses in Great Britain. In 1989 brewers owned 44,100 pubs. In 2000 that figure had fallen to only 11,200.

In 1989 70% of pubs owned by brewers were tenanted. In 2000, only 52% were tenanted (or leased).

The MMC noted that *“there had been very little development of public house chains independent of the brewers”*. In 1989 five pub chains collectively owned fewer than 250 pubs. In 2000, some fifty two companies own about 30,400 pubs. And the top six companies have over 20,000 pubs (or a third of all the pubs in the UK).

The MMC further noted that *“we estimate that half of the 25% of public houses that are not owned by brewers are tied to them by loans.”* Loan ties are far less common in 2000 due to competition from financial institutions and the practice of securing accounts through high discounts.

The MMC identified over 200 brewers in the UK. These were categorised as 6 national brewers, 11 regional brewers, 41 local brewers, 3 brewers without tied estate and 160 other brewers. In 2002 there are 4 international brewers, 2 breweries without tied estate (Guinness and Anheuser-Busch) 43 regional and family brewers and over 350 other (small) brewers.

In 1989 the 6 national brewers had 75% of the total beer market. The 4 remaining companies have 84% of today's market. In 1989 the regional and family brewers shared 14% of the market. This has declined in 1999 to about 12%. The collective share of small breweries has increased slightly over the same period from less than 1% to about 1.5 % in 2000. Most notably, the market share of small brewers in terms of individual companies has decreased due to an influx of new entrants (more companies fighting for the same share of the market).

Since 1989, 13 brewery sites owned by national brewers have been closed. 18 sites owned by regional and family brewers have closed and 135 sites owned by small brewers have closed.

Brewery Closures 1984 -2002

1984

Whitbread Luton, Opened 1969, closed 15 years later
Yates & Jackson, Lancaster

1985

Devenish, Weymouth
Simpkiss, Brierley Hill bought and closed down by Greenalls

1986

Castletown Brewery, Isle of Man closed following merger with Okells
W M Darley, Thorne, S Yorkshire, closed by Vaux

1987

Dryborough, Edinburgh
Rayments, Furneaux Pelham, closed by Greene King

1988

Paines, St Neotts
Theakstons (old State Management Scheme) brewery, Carlisle
Whitbread, Chesters, Salford
Wem closed by Greenalls
Theakstons, Workington
Wethereds, Marlow closed by Whitbread

1989

Davenports Brewery closed by Greenalls
Trumans closed by Grand Metropolitan

1990

Clubs Brewery, Pontyclun closed by Guinness, now a distribution depot
Davenports, Birmingham closed by Greenalls
Hansons, Dudley, closed by Wolverhampton & Dudley
Mathew Brown, Blackburn closed by Scottish & Newcastle
Whitbread Fremlins, Faversham closed by Whitbread
Higsons - closed by Whitbread - subsequently re-opened as Cains

1991

Hartleys, Ulverston closed by Robinsons
Greenalls, Warrington Preston Brook Brewery (Bass), Runcorn, opened in 1973
Shipstones, Nottingham closed by Greenalls
Springfield Brewery, Wolverhampton
Whitbread Wethereds, Marlow closed by Whitbread
Matthew Brown, Blackburn closed by Scottish & Newcastle
Romford Brewery closed by Allied Breweries
Hartleys closed by Robinsons
Hanson's closed by Wolverhampton & Dudley
Shipstones closed by Greenalls

1994

Herriot Brewery, Edinburgh closed by Bass
Hope Brewery, Sheffield closed by Bass
Exchange Brewery, Sheffield closed by Whitbread

1996

Holt, Plant & Deakin closed by Carlsberg-Tetley
Plympton Brewery, Plymouth closed by Carlsberg-Tetley
Tetley Walker, Warrington closed by Carlsberg-Tetley

1997

Gibbs Mew Brewery, Salisbury ceased brewing
Websters Brewery, Halifax closed by Scottish & Newcastle
Home Brewery, Nottingham

1998

Crown Buckley in Llanelli closed by Brains
Cheltenham Brewery closed by Whitbread
Morrells Brewery, Oxford closes
Ruddles brewery closes

1999

Alloa Brewery closed by Carlsberg-Tetley
Vaux Brewery closed
Wards Brewery closed
Mitchells stops brewing
Wrexham Lager brewery closed by Carlsberg-Tetley
Courage Brewery, Bristol closed by Scottish & Newcastle
Bass Cannon Brewery, Sheffield closed by Bass
Welsh Brewers, Cardiff sold to Brains - who then closed their own Cardiff Brewery
Maclay's Brewery, Alloa -closed by Maclays who now have their beer brewed at the Forth Brewery

2000

Morland Brewery closed by Greene King
 King & Barnes closed by Hall & Woodhouse when they bought it
 Ushers Brewery closed by Innspired the company that now just runs the pubs of the former brewery
 Whitbread sells its breweries to Interbrew
 Bass sells its breweries to Interbrew

2001

Mansfield Brewery closed by Wolverhampton & Dudley

2002

Cape Hill Brewery, Birmingham closed by Coors Brewers
 Castle Eden closed when the company buys Camerons in Hartlepool from W&D and moves production there.

National Breweries - number of brewing plants 1989, 1999 and 2002

Brewing company	1989	1999
Allied	6	2
Bass	11	6
Courage	4	6
Grand Metropolitan	4	
Scottish & Newcastle	5	
Whitbread	6	3
Total	36	17

Brewing Company	2002	
Carlsberg-Tetley	2	
Coors Brewers	3	
Interbrew	5	
Scottish & Newcastle	6	
Total	16	

Regional & Family Brewers still brewing in June 2002

Adnams
 Arkells
 Badger (aka Hall & Woodhouse)
 Banks (part of W&D)
 Batemans
 Bathams
 Brains
 Brakspear – brewing review going on
 Burtonwood (part of the Hardy Brewery)
 Cains – up for sale
 Caledonian
 Castle Eden/Camerons Brewery - recently merged
 Donnington
 Elgoods
 Everards
 Felinfoel
 Fullers
 Gales
 Guernsey

Hardys & Hansons
Thomas Hardy (in which Eldridge Pope has a minority stake)
Harveys
Holden
Holt
Hook Norton
Hydes
Jennings
Jersey
Lees
McMullen – brewing review underway
Marston (part of W&D)
Okells
Palmer
Redruth
Ridley
Robinson
Shepherd Neame
Sam Smiths
Timothy Taylor
Tolly Cobbold
Wadworth
Charles Wells
Youngs

43 breweries in total

Largest new breweries (founded since 1977)

Archers
Black Sheep
Butcombe
Hogs Back
Hop Back
Ringwood
Smiles
Wychwood
Wye Valley

Main Pub Companies and estate sizes in 2002

Pub Company	No of Pubs	Comments
Avebury	800	
Enterprise	5,370	Including recently acquired Laurel Pub Company
Innspired	1,050	
Pubmaster	3,300	
Punch Pub Company	4,300	Leased company recently floated on the SE
Six Continents	2,033	Formerly Bass
Spirit Group	1,060	Formerly Punch Retail – managed pub group
Unique ⁸	3,290	Owned by a company in which Enterprise has a sizable stake
Voyager ⁹	971	Owned by a company in which Enterprise has a sizable stake
Wetherspoon	580	Managed pub company

Appendix 2

Mergers and take-overs in the pipeline

Six Continents and Scottish & Newcastle have held talks about merging their pub estates and then floating the resulting group. But there may be more pressure for S&N to get out of pubs.

Enterprise Inns have an option to acquire the remaining 80% stake in "NewCo" (soon to be renamed Unique) which bought Unique and Voyager from Nomura. They can take the option up around 2005. This would give them over 9,000 pubs. Enterprise Inns has been forced to sell 61 pubs by the OFT as they have more than 25% in a particular area following their acquisition of the leased estate of Laurel. Laurel will be fully integrated with the rest of the Enterprise Inns business by the beginning of October 2002.

Greene King is seeking further acquisitions following its purchase of Morrells of Oxford in June 2002. There is press speculation that it is planning to acquire McMullens of Hertford.

It is likely that the four international brewers in the UK will all be looking for further overseas acquisitions following the merger of Miller and SAB in June 2002.

Pubmaster is also known to be looking for further purchases now that it has integrated Inn Partnerships.

⁸ Set to merge with Voyager in October 2002

⁹ Set to merge with Unique in October 2002

Appendix 3

Top five ale and lager brands

Top five ales

- 1 John Smiths
- 2 Tetley Bitter
- 3 Worthington
- 4 Boddingtons
- 5 Stones Bitter

Top five lagers

- 1 Carling
- 2 Fosters
- 3 Carlsberg
- 4 Stella Artois
- 5 Heineken

For ales in the on-trade Nos "1" -"5" have 36.08% of the ales market
For lager "1" - "5" have 66.4% of the lager market.

Appendix 4

Brand ownership of top four brewers

Carlsberg Tetley

Ales

Tetley

Lagers

Carlsberg

Coors Brewers

Ales

Worthington

M&B

Stones

Lagers

Carling

Grolsch

Coors Light

Interbrew

Ales

Boddingtons

Draught Bass*

Murphy

Lagers

Stella Artois

Tennents

Heineken**

S&N

Ales

John Smiths

Courage Directors

Courage Best

Theakston

Newcastle Brown

Lagers

Fosters

McEwans

*Whilst Bass is an Interbrew brand it is currently being brewed by Coors at Burton.

**Heineken is still brewed at a Whitbread controlled brewery at present but will be moved shortly

