

Anticipated acquisition by Stonegate Pub Company Limited of Ei Group plc

Decision on relevant merger situation and substantial lessening of competition

ME/6842/19

The CMA's decision on reference under section 33(1) of the Enterprise Act 2002 given on 6 December 2019. Full text of the decision published on 9 January 2020.

Please note that [X] indicates figures or text which have been deleted or replaced in ranges at the request of the parties or third parties for reasons of commercial confidentiality.

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SUMMARY

1. Stonegate Pub Company Limited (**Stonegate**) has agreed to acquire the entire issued share capital of Ei Group plc (**Ei**) (the **Merger**). Stonegate and Ei are together referred to as the **Parties**.
2. The Competition and Markets Authority (**CMA**) believes that it is or may be the case that each of Stonegate and Ei is an enterprise; that these enterprises will cease to be distinct as a result of the Merger; and that the turnover test is met. Accordingly, arrangements are in progress or in contemplation which, if carried into effect, will result in the creation of a relevant merger situation.
3. The Parties predominantly overlap in the operation of pubs in the UK.
4. The Parties also overlap to a limited extent in the provision of overnight accommodation and the operation of nightclubs. However, due to the very limited scale and local overlap between the Parties in these areas of activity, the CMA does not believe that there is a realistic prospect of an SLC in the provision of overnight accommodation and the operation of nightclubs in the UK, or in any local area in the UK.
5. The CMA has therefore assessed the impact of the Merger in the operation of pubs in the UK. The CMA considers that competition between pubs is predominantly local (as customers are generally only willing to travel short distances to visit a pub) but some parameters of competition are determined at national level, such as the choice of drinks, the existence and scope of the food menu or service style. The CMA has therefore considered the impact of the Merger in the operation of pubs on both a national and local basis.¹
6. The CMA found that there is some degree of differentiation between pubs and therefore made a distinction between dry-led pubs (those that generate more than 30% of their revenue from food) and wet-led pubs (those that generate up to 30% of their revenue from food). The CMA found that wet-led pubs are constrained by all pubs (dry- and wet-led pubs), whereas dry-led pubs are mainly constrained by other dry-led pubs.
7. The CMA found that pubs in rural areas compete over a larger distance than pubs in urban areas, with city centre pubs competing over a small distance. The CMA also found that dry-led pubs compete over a larger distance than

¹ The CMA has adopted a frame of reference in line with its previous decision in the anticipated acquisition by [Heineken UK Limited of Punch Taverns Holdco Limited](#) merger inquiry, ME/6656-16, 13 June 2017 (*Heineken/Punch*).

wet-led pubs, as consumers are willing to travel longer distances for a meal than for a drink.

8. The CMA did not find competition concerns at a national level as the Parties' shares of supply are low and they face competition from a number of national rivals. In relation to local competition, the CMA found a limited number of local areas where significant concentration gives rise to significant competition concerns.
9. To conduct its local competition assessment, the CMA followed the filtering methodology previously used by the CMA in *Heineken/Punch*.
10. The CMA applied a primary filter which identified 83 catchment areas around local pubs (**catchment areas**) where Parties would have at least a 35% combined share of supply with an increment of more than 5%, and where the Merger may give rise to *prima facie* competition concerns. The CMA excluded all areas that passed the primary filter from further assessment.
11. The CMA then applied a set of secondary filters to the 83 catchment areas that failed the primary filter. The secondary filters reflect:
 - (a) the extent of competitive constraint exerted on dry-led pubs by wet-led pubs;
 - (b) the geographic proximity of the Parties' pubs in a given area and the presence of third party competitor pubs that customers can switch to; and
 - (c) the application of a sensitivity flex to the size of catchment areas of the Parties' pubs located in 'City Centre' locations.
12. The second stage analysis identified 54 catchment areas where competition concerns arise.
13. The Parties proposed a set of principles to be applied to the individual assessment of 17 out of the 54 pubs that failed the primary and secondary filters. These principles related to: differentiations based on 'clusters' of pubs within given catchment areas; the revision of certain areas classified as city centres in ONS (ie that some areas which are classified as city centres should be considered as urban or rural areas); and inclusion of additional pub and non-pub competitors in some of the relevant catchment areas.
14. The Parties submitted that based on at least one of these principles, no realistic prospect of a substantial lessening of competition (**SLC**) arises from the Merger in relation to those 17 pubs that fail the primary and secondary filters.

15. The CMA considered the individual assessment principles proposed by the Parties and application of those principles in relation to the Parties' relevant pubs in turn. In particular, the CMA applied the approach adopted in *Heineken/Punch* in relation to clusters of competitors close to a centroid site.² The CMA also considered whether the evidence gathered during the investigation supported the other principles for individual assessment submitted by the Parties on a case-by-case basis.
16. The CMA found that the Merger gives rise to a realistic prospect of an SLC as a result of horizontal unilateral effects in all the catchment areas of the 54 pubs which failed both the primary and secondary filters, except for three pubs (The Half Crown, Benfleet; The Lion Brewery Ash; and The Sportsman, Bishopston). In the catchment areas of each of these three pubs there is a competitor venue operating as a pub that was not identified in the CMA's initial filtering (which was based on the CGA Index).³
17. The CMA therefore considers that the Merger gives rise to a realistic prospect of an SLC as a result of horizontal unilateral effects in 51 local areas in total.
18. The CMA is therefore considering whether to accept undertakings under section 73 of the Enterprise Act 2002 (**the Act**). The Parties have until 13 December 2019 to offer an undertaking to the CMA that might be accepted by the CMA. If no such undertaking is offered, then the CMA will refer the Merger pursuant to sections 33(1) and 34ZA(2) of the Act.

ASSESSMENT

Parties

19. Stonegate is a UK pub company with more than 765 operating outlets across the UK, all managed within a wide variety of formats.⁴ Stonegate is owned and controlled by investment funds managed by TDR Capital LLP (**TDR Capital**). TDR Capital is the sole controlling entity of Stonegate. Stonegate's turnover in 2018 was £774 million in the UK.
20. Ei, a company listed on the London Stock Exchange, is a UK pub company, with a portfolio comprising approximately 4,000 sites across England and

² *Heineken/Punch*, paragraphs 171 to 173.

³ In each case, the available evidence shows that the competitor pubs will be added to the CGA Index when that database is next updated.

⁴ Managed pubs are pubs run by a manager appointed by the owner of the pub. Leased and tenanted pubs are instead pubs run by the leaseholder or tenant to which the pub is rented by the owner of the pub.

Wales, predominantly run as leased and tenanted pubs. Ei achieves all of its revenues in the UK and its turnover in 2018 was £695 million.

Transaction

21. On 18 July 2019, Stonegate entered into an agreement to purchase the entire issued share capital of Ei. Stonegate will acquire sole control over Ei via a newly incorporated wholly-owned subsidiary.
22. The Merger values Ei's entire issued, and to be issued, ordinary share capital at approximately £1,272.5 million. The consideration will be cash only. The proposed Merger is expected to close in the first quarter of 2020.

Rationale for the Merger

23. Stonegate submitted that its experience in the sector would benefit Ei's strategic move to a managed pub model (alongside Ei's leased and tenanted pub business) and that the Merger will give Stonegate greater scale and a more diverse estate of sites. Stonegate submitted that, with greater scale and diversification, the combined group will be better positioned to compete effectively in what the Parties consider to be a challenging operating environment.⁵

Jurisdiction

24. Each of the Parties is an enterprise. As a result of the Merger, Stonegate will acquire all the shares in Ei, and, accordingly, Stonegate and Ei will cease to be distinct.
25. Ei's UK turnover for the year ended 2018 was £695 million. As Ei's turnover exceeded £70 million, the turnover test in section 23(1)(b) of the Act is satisfied.
26. The CMA therefore believes that it is or may be the case that arrangements are in progress or in contemplation which, if carried into effect, will result in the creation of a relevant merger situation.
27. The Merger meets the thresholds under Council Regulation (EC) No 139/2004 of 20 January 2004 on the control of concentrations between undertakings (the **EC Merger Regulation**) for review by the European Commission (the **Commission**). The Parties submitted a reasoned submission to the

⁵ Merger Notice dated 10 October 2019 (the **Merger Notice**), paragraphs 5-7. This view is supported by Ei as explained in paragraph 32(a) of the Merger Notice.

Commission on 6 September 2019 requesting under Article 4(4) of the EC Merger Regulation that the Merger should be examined in its entirety by the CMA, as the competent authority of the United Kingdom.

28. On 12 September 2019, the CMA informed the Commission that it agreed with the referral request and considered the Merger capable of being reviewed in the United Kingdom under the Act. On 10 October 2019, the Commission announced its decision to refer the Merger to the CMA for review.
29. The preliminary assessment period for consideration of the Merger under section 34A(2) of the Act started on 11 October 2019 and the statutory 45 Commission working day deadline for a decision is therefore 13 December 2019.

Procedure

30. The Merger was considered at a Case Review Meeting.⁶

Counterfactual

31. The CMA assesses a merger's impact relative to the situation that would prevail absent the merger (ie the counterfactual). For anticipated mergers the CMA generally adopts the prevailing conditions of competition as the counterfactual against which to assess the impact of the merger. However, the CMA will assess the merger against an alternative counterfactual where, based on the evidence available to it, it believes that, in the absence of the merger, the prospect of these conditions continuing is not realistic, or there is a realistic prospect of a counterfactual that is more competitive than these conditions.⁷
32. In this case, there is no evidence supporting a different counterfactual, and the Parties and third parties have not put forward arguments in this respect. Therefore, the CMA believes the prevailing conditions of competition to be the relevant counterfactual.

⁶ [Merger Assessment Guidelines](#) (OFT1254/CC2), September 2010, from paragraph 7.3.4. The [Merger Assessment Guidelines](#) have been adopted by the CMA (see [Mergers: Guidance on the CMA's jurisdiction and procedure](#) (CMA2), January 2014, Annex D) ([Merger Assessment Guidelines](#)).

⁷ [Merger Assessment Guidelines](#), from paragraph 4.3.5.

Frame of reference

33. Market definition provides a framework for assessing the competitive effects of a merger and involves an element of judgement. The boundaries of the market do not determine the outcome of the analysis of the competitive effects of the merger, as it is recognised that there can be constraints on merging parties from outside the relevant market, segmentation within the relevant market, or other ways in which some constraints are more important than others. The CMA will take these factors into account in its competitive assessment.⁸

Product scope

34. The Parties predominantly overlap in the operation of pubs in the UK. The Parties also overlap to a limited extent in the provision of overnight accommodation and the operation of nightclubs.

Operation of pubs

35. The CMA last considered the operation of pubs in its 2017 investigation of the *Heineken/Punch* merger. In that case, the CMA considered the appropriate product scope to be the operation of pubs (without any distinction by mode of operation or ownership), excluding restaurants and other licensed outlets.⁹
36. The CMA also considered, in *Heineken/Punch*, that pubs can be differentiated to some extent and that pubs in relative proximity that focus on different demographics or occasions – such as wet- and dry-led pubs¹⁰ – may constrain each other to a lesser extent.¹¹ However, such factors of differentiation were considered to reflect different parameters on which pubs compete without giving rise to separate product categories.¹²

Parties' views

37. The Parties submitted that the product frame of reference should be at least as wide as that used in *Heineken/Punch*,¹³ but that pubs also face considerable constraints from other on-trade premises and licensed outlets, such as hotel bars, social clubs, casual dining / restaurants, and from other

⁸ *Merger Assessment Guidelines*, paragraph 5.2.2.

⁹ *Heineken/Punch* decision, paragraph 37.

¹⁰ Wet-led pubs are those that generate less than 30% of their revenues from food, while dry-led pubs are those that generate 30% or more of their revenues from food.

¹¹ *Heineken/Punch* decision, paragraph 38.

¹² *Heineken/Punch* decision, paragraph 39.

¹³ Merger Notice, paragraph 96.

forms of entertainment and leisure venues, and that these should be included in product the frame of reference.¹⁴

38. The Parties also submitted that casual dining is playing an increasingly important role in the competitive arena for pubs and that both Parties' internal documents show that they routinely monitor restaurants and casual dining sector.¹⁵ In particular, Stonegate provided a set of [redacted] in which [redacted].
39. Similarly, Ei submitted that it [redacted].

Third party views

40. Third party evidence regarding the constraint exerted by non-pub licensed outlets gathered during the CMA's investigation was mixed. Some third parties submitted that only similar types of pubs are competitors, whereas other third parties indicated that non-pub venues, such as restaurants and bars, also impose some competitive constraints on pubs.

Conclusion on product scope

41. Based on its investigation, the CMA believes that the appropriate frame of reference for the assessment of the Merger is the operation of pubs, excluding restaurants and other licensed outlets. The evidence available to the CMA does not support the inclusion of restaurants or other licensed outlets within the relevant frame of reference.
42. In particular, the CMA considers that Stonegate's internal documents indicate that Stonegate primarily monitors [redacted] (eg [redacted], etc.). The [redacted], namely [redacted] and [redacted].¹⁶ Moreover, a set of Stonegate's other internal documents assessing investment cases in local areas do not identify restaurants or other non-pub venues as competitors.¹⁷
43. As regards Ei's internal documents, the CMA notes that [redacted].
44. Therefore, while the CMA recognises that non-pub licensed outlets may exert some degree of competitive constraint, the CMA considers that the evidence

¹⁴ In *Heineken/Punch*, Heineken recognised that the extent to which restaurants constrain pubs is unclear. Moreover, third parties provided mixed evidence on the constraint exercised by restaurants (see *Heineken/Punch*, paragraphs 31 and 34).

¹⁵ Merger Notice, paragraph 82.

¹⁶ Merger Notice, Annex 13 ([redacted]).

¹⁷ Merger Notice, Annex 13 ([redacted]).

from internal documents and third parties discussed above is not sufficient to conclude that non-pub licenced outlets provide a significant competitive constraint on pubs, and therefore does not support the inclusion of other licensed outlets within the relevant frame of reference.

45. Moreover, as in *Heineken/Punch* and *Greene King/Spirit*¹⁸, the CMA has taken account of competition from non-pub licensed premises in the competitive assessment, by using a relatively high threshold (35%) for the Parties' post-merger share in the primary filter, see paragraphs 80-83 below. This is based on evidence (including survey evidence) on the closeness of competition between pub classifications, as well as constraints on pubs from restaurants and other licensed premises.¹⁹

Operation of nightclubs

46. There is also a limited overlap between the Parties in the operation of nightclubs. Ei's estate includes a single nightclub in Birmingham, while Stonegate owns in total 46 nightclubs, two of which are in close proximity to Ei's nightclub in Birmingham.²⁰ The Parties submitted that these nightclubs are within close proximity to a number of third party nightclubs.²¹ In particular, the Parties submitted that:
- (a) there are 23 third party nightclubs closer to Ei's nightclub than Stonegate's nightclubs;²² and
 - (b) there are 13 nightclubs closer to each of Stonegate's two nightclubs than Ei's nightclub.²³
47. Due to the very limited scale and local overlap between the Parties, and taking into account that a number of competitor nightclubs are within close proximity of the Parties' nightclubs, the CMA does not believe that there is a realistic prospect of an SLC in the operation of nightclubs in the UK, or in any local area in the UK.

¹⁸ See the OFT's decision in the anticipated acquisition by [Greene King plc of Spirit Pub Company plc](#) merger inquiry, ME/6501/14 (*Greene King/Spirit*).

¹⁹ *Greene King/Spirit*, paragraphs 6 and 109-111.

²⁰ Merger Notice, footnote 22.

²¹ *Ibid.*

²² Parties' response to RFI 1, Annex Q3.

²³ Parties' response to RFI 3, Annexes 3-4.

Provision of overnight accommodation

48. Both of the Parties are also active in the provision of overnight accommodation. Stonegate has eight sites offering overnight accommodation, whereas Ei has 90.
49. The Parties submitted that on the basis of a five-mile radius, the Parties would not overlap in any location. This approach is consistent with *Heineken/Punch*, where the CMA left the precise geographic frame of reference open but noted that there were no overlaps within a five-mile radius.²⁴
50. Due to the very limited scale and local overlap between the Parties, the CMA does not believe that there is a realistic prospect of an SLC in the provision of overnight accommodation in the UK, or in any local area in the UK.

Conclusion on product scope

51. For the reasons provided above, the CMA believes that the appropriate frame of reference for the assessment of the Merger is the operation of pubs, excluding restaurants and other licensed outlets.

Geographic scope

52. The Parties submitted that the impact of the Merger should be considered on both a national and local basis.²⁵ The Parties also submitted that:
 - (a) Stonegate sets nationally [~~§<~~], but all these parameters also vary locally and by pub format;²⁶
 - (b) Ei influences nationally [~~§<~~], but tenants control locally [~~§<~~];²⁷ and
 - (c) Ei controls nationally [~~§<~~], but all these parameters are all also subject to local variation.²⁸

²⁴ *Heineken/Punch*, paragraph 191.

²⁵ Merger Notice, paragraph 99.

²⁶ Merger Notice, paragraph 133.

²⁷ Merger Notice, paragraph 131.

²⁸ Merger Notice, paragraph 132.

53. There are Stonegate's internal documents showing that Stonegate assesses and applies parameters for its various chains [redacted] (ie in the [redacted] Stonegate monitors [redacted]).²⁹
54. Third party evidence received by the CMA suggested that a number of parameters of competition, such as drinks/food range, entertainment, level of service vary both locally and nationally. Third party evidence also showed that a number of pub operators tend to monitor rival pub operators at both a local and a national level.
55. Based on the evidence available to the CMA, and consistent with the findings reached in *Heineken/Punch*,³⁰ the CMA considers that, although competition between pubs is predominantly local, there are some parameters of competition that may be flexed at the national level.

Conclusion on frame of reference

56. For the reasons set out above, the CMA has considered the impact of the Merger in the following frames of reference:
 - (a) the operation of pubs on a national basis; and
 - (b) the operation of pubs on a local basis.
57. It was not necessary to reach a conclusion in relation to the precise frame of reference for the operation of nightclubs or the provision of overnight accommodation as, for the reasons explained below, competition concerns in relation to these activities would not arise on any plausible basis.

Competitive assessment

Horizontal unilateral effects

58. Horizontal unilateral effects may arise when one firm merges with a competitor that previously provided a competitive constraint, allowing the merged firm profitably to raise prices or to degrade quality on its own and without needing to coordinate with its rivals.³¹ After the merger, it is less costly for the merging company to raise prices (or lower quality) because it will recoup the profit on recaptured sales from those customers who would have

²⁹ Merger Notice, Annex 13 ([redacted]).

³⁰ *Heineken/Punch*, paragraphs 46-49.

³¹ [Merger Assessment Guidelines](#), from paragraph 5.4.1.

switched to the offer of the other merging company. Horizontal unilateral effects are more likely when the merging parties are close competitors.

59. The CMA has considered horizontal unilateral effects on both a national and local basis.

National assessment

60. On a national basis, the Parties' estimated combined share of supply by number of pubs is [10-20]%, with an increment of [0-5]% brought about by the Merger.³²
61. The Parties submitted that they were constrained by nine pub chains active at the national level and also by a large number of independent owners and operators of pubs. The Parties' internal documents support the Parties being constrained by a number of national competitors.
62. Third parties did not raise any concerns about the Merger with respect to a loss of competition at the national level. Some third parties also noted that the Parties will benefit from economies of scale in procurement, that customer choice is unaffected and that the market is highly fragmented and competitive.
63. As the Parties' market share at national level is low and they are constrained by a number of national competitors, the CMA does not believe that there is a realistic prospect of an SLC in relation to the operation of pubs in the UK at a national level.

Local assessment

64. A merger between two parties with sites (in this case pubs) in a local area can affect the process of rivalry and lead to a worsening of some of the parameters of competition because it brings the sites under common ownership. Generally, unilateral effects in local areas involve an increase in price, or a decrease in quality, at a site becoming profitable because a proportion of the customers would switch to a site belonging to the other merging party. As a result, instead of losing all of the profits associated with switching customers the merged entity now recaptures a percentage of this diversion, making a previously unprofitable price rise profitable.³³

³² The CMA considered estimated shares of supply by number of pubs only. The CMA also notes that, in terms of revenues, national operators Mitchells & Butlers, Greene King and J D Wetherspoon are estimated to have higher turnovers than Stonegate and Ei combined ([MCA UK Pub Market report 2019](#)).

³³ [Merger Assessment Guidelines](#), section 5.4.

65. When analysing whether a merger may result in a realistic prospect of an SLC in cases involving a large number of local overlaps, the CMA may use a filtering methodology to screen out overlap areas where competition concerns are unlikely to arise.³⁴ The filtering methodology used in a given case is driven by the characteristics of the market at issue, based on the evidence available to the CMA.
66. The Parties submitted that there has been no change to the local dynamics of the pubs sector that would justify deviating from the filtering methodology used in *Heineken/Punch*.³⁵ In addition, the evidence gathered by the CMA during its market investigation does not indicate that there has been any material change to the local competitive dynamics in this sector since the CMA's investigation into the *Heineken/Punch* merger.
67. In *Heineken/Punch*, a centroid pub failed the primary filter if the share of the merging parties' pubs in a given local area was 35% or greater and the increment brought about by the Merger was 5% or greater. For those areas that failed the primary filter, the CMA then adopted a set of secondary filters (these are described in paragraph 86 below).
68. The CMA has taken the approach adopted in *Heineken/Punch* as the starting point for its assessment in this case but has considered, when necessary, whether the available evidence suggests that aspects of that approach should be adapted for this Merger.
69. In order to assess the competitive impact of the Merger at a local level, the CMA has (as set out in the following sections of this decision):
- (a) assessed the pubs that should be included in the effective competitor set;
 - (b) assessed the appropriate catchment area categories for the Parties' pubs and identified all other competing pubs in that area;
 - (c) applied the primary filter used in *Heineken/Punch*, identifying areas in which the Parties have a combined share of more than 35% with an increment of more than 5%;
 - (d) applied the secondary filters consistent with the approach adopted in *Heineken/Punch*; and

³⁴ [Retail Mergers Commentary](#), paragraph 3.2.

³⁵ Merger Notice, paragraph 119. The Parties have applied the approach set out in *Heineken/Punch* (and described in further detail below) in carrying out its local effects analysis in the Merger Notice.

- (e) considered whether competition concerns can be dismissed in relation to any of the pubs that failed to pass the primary and secondary filters on the basis of principles for individual assessment proposed by the Parties.

Effective competitor set

Wet- and dry-led pubs

70. Consistent with the approach adopted in *Heineken/ Punch*,³⁶ the CMA considered which types of businesses should be included in the effective competitor set and distinguished between wet- and dry-led pubs (the former being pubs that make less than 30% of revenue from food and the latter pubs that make at least 30% revenue from food).³⁷
71. Also, consistent with *Heineken/Punch*, the CMA considers that wet-led pubs are constrained by all pubs, while dry-led pubs are mainly constrained by other dry-led pubs. The CMA has taken account of the constraint that wet-led pubs exert on dry-led pubs in its second stage analysis (as described in paragraph 86 below).

Urbanicities

72. The Parties submitted that, consistent with the approach adopted in *Greene King/Spirit* and *Heineken/Punch*, the catchment area of a pub differs depending on the urban classification of that pub. The CMA has not received any evidence in its merger investigation to suggest that an alternative classification would be more appropriate.
73. The CMA has adopted different catchment areas depending on the urban classification (urbanicity) of each pub. In particular, the CMA classified each pub as belonging to one of the following three urbanicities:³⁸

³⁶ *Heineken/Punch*, paragraphs 123-125.

³⁷ Wet-led pubs are those identified by the CGA Index as 'Café Bar/Wine Bar/Brasserie/Bar and Restaurant', 'Circuit Bar – Young Persons', 'Community/Wet-led/Local' or 'Rural', while dry-led pubs are those identified as 'Branded Food-Led', 'Dry-Led' or 'Circuit Bar – Traditional Town'.

³⁸ Pubs were classified into urbanicities according to the ONS 2011 Census Rural-Urban Classification (see the [ONS Postcode Directory User Guide](#)). In England and Wales: City Centre corresponds to 'A1 – urban major conurbation'; Urban to 'B1 – urban minor conurbation', 'C1 – urban city and town' and 'C2 – urban city and town in a sparse setting'; and Rural to 'D1 – rural town and fringe', 'D2 – rural town and fringe in a sparse setting', 'E2 – rural village in a sparse setting', 'F1 – rural hamlet and isolated dwellings' and 'F2 – rural hamlet and isolated dwellings in a sparse setting'. In Scotland: City Centre corresponds to '1 – large urban areas'; Urban to '2 – other urban areas', '3 – accessible small towns' and '4 – remote small towns'; and Rural to '5 – very remote small towns', '6 – accessible rural', '7 – remote rural' and '8 – very remote rural'.

- (a) City centre;³⁹
- (b) Urban; and
- (c) Rural.

Catchment areas

74. Typically, catchment areas are constructed by analysing data on customer location to determine the area from which a firm draws 80% of its business. In this case, neither of the Parties in their day-to-day business has a systematic approach to catchment areas with regard to assessment of local competition or hold information about the location of their customers,⁴⁰ and therefore catchment areas cannot be defined on this basis.
75. The Parties also submitted that since *Heineken/Punch* there has been no change to the local dynamics of the pubs sector that would justify deviating from the CMA's approach.
76. The CMA has therefore analysed the local effects of the Merger against catchment areas based on the following distances/isochrones as in *Heineken/Punch*:⁴¹
- (a) City centre – 0.5 miles for both wet- and dry-led pubs;
 - (b) Urban – 5-minute drive-time for wet-led pubs and 10-minute drive-time for dry-led pubs; and
 - (c) Rural – 10-minute drive-time for wet-led pubs and 15-minute drive-time for dry-led pubs.
77. Third party evidence was also broadly in line with the approach adopted in *Heineken/Punch* and therefore did not suggest that the CMA should depart from this approach. In particular, the CMA asked the Parties' competitors to specify the distance and/or time 80% of their customers travel to get to wet- or dry-led pubs in each urbanicity. Table 1 below reports the average results (weighted by number of pubs),⁴² which confirm that the average drive-times

³⁹ In *Heineken/Punch*, pubs in city centre areas were identified with the Experian classification (*Heineken/Punch*, paragraph 129). In the present case, the Parties' submissions relied on the ONS dataset as they submitted that they had no access to the Experian dataset or to any alternative dataset (see paragraphs 8.1-8.3 of the RFI 1 response). The CMA did not have any alternative systematic basis of city centre classification.

⁴⁰ In particular, [3<] (Merger Notice, paragraph 118).

⁴¹ *Heineken/Punch*, paragraph 157.

⁴² Some competitors responded to this question in drive-time, some responded in distance. To convert all answers consistently, the CMA used assumptions on the average speed that a customer would travel in each rural, urban and city centre urbanities. These were based on estimates adopted in *Heineken/Punch*.

reported by competitors for urban and rural pubs are broadly in line with the approach adopted in *Heineken/Punch*.

Table 1: Average drive-times/distances for wet-led and dry-led pubs based on competitors' responses

Urbanicity	Wet-led	Dry-led
City centre (miles)	1.7	1.9
Urban (drive-time minutes)	8	12
Rural (drive-time minutes)	12	17

Source: CMA analysis of competitors' responses to the CMA questionnaire.

78. The average distance for city centre pubs reported by competitors reaches almost 2 miles; that is almost four times the 0.5 miles catchment area. The CMA considers that this apparent disparity may occur because responses are based on home addresses of customers, whereas in city centres customers often walk to local pubs from offices or shops. This is consistent with previous findings in *Heineken/Punch*,⁴³ and also with views expressed by a third party in this case.⁴⁴

Application of the primary and secondary filters

79. To conduct its local competition assessment, the CMA followed the *Heineken/Punch* methodology and applied first a primary filter, and then a set of secondary filters.⁴⁵

Primary filter

80. The CMA applied a primary filter to identify *prima facie* competition concerns. A pub fails the primary filter where the Parties' combined share of pubs equals or exceeds 35% and the Merger results in an increment in excess of 5%.
81. The Parties submitted that, as was the case with the parties in *Greene King/Spirit* and *Heineken/Punch*, they are subject to competitive constraints beyond pubs and that a 35% (5% increment) threshold continues to be an appropriate threshold for the primary filter.⁴⁶
82. For the purposes of the primary filter, the competitor set of each pub varies depending on the pub type (this is to reflect the fact that dry-led pubs are mainly constrained by other dry-led pubs, while wet-led pubs are constrained by all pubs as explained in paragraphs 70-71 above):

⁴³ *Heineken/Punch*, paragraph 152.

⁴⁴ [X] email accompanying its response to the CMA's questionnaire.

⁴⁵ *Heineken/Punch*, paragraphs 6-9.

⁴⁶ Merger Notice, paragraph 171.

- (a) For dry-led pubs – only dry-led pubs are included in the analysis; and
- (b) For wet-led pubs – all pubs are included in the analysis.

Results

83. The Parties submitted that 80 pubs fail the primary filter. The CMA agrees that the 80 pubs identified by the Parties failed the primary filter but also considers that three more pubs, which were dismissed by the Parties, fail the primary filter (and the secondary filter, as discussed in paragraph 87 below). In particular:
- (a) The Lazy Fox Fulham was not included by the Parties in the list of pubs failing the primary filter as the site has been sold to [redacted],⁴⁷ [redacted], and it has not been trading as a pub for almost three years (and, in the Parties' view, [redacted]). The CMA considers, however, that this pub should be included among pubs that failed the primary filter because there is a realistic prospect that (i) the Lazy Fox [redacted]; and (ii) Stonegate would have the ability to re-open it as a pub. The CMA notes that, while Ei has not been operating the Lazy Fox as a pub recently, circumstances may change and/or Stonegate may take a different approach to the operation of the pub post-Merger. The Parties have not provided evidence that would satisfy the CMA that there is not a realistic prospect of the Lazy Fox reopening as Stonegate's pub. The CMA therefore considers that there is a realistic prospect of The Lazy Fox operating as a pub under Stonegate's ownership in future.
 - (b) The Queens Head Weybridge and The Elmbridge Arms Weybridge were not included by the Parties in the list of pubs failing the primary filter as the sites have been [redacted]. The CMA considers that these two pubs should also be included among the pubs that failed the primary filter given that the [redacted] and therefore, [redacted], there is a realistic prospect that Stonegate would continue to operate these pubs.
84. The CMA therefore considers that 83 pubs failed the primary filter, and they are considered to raise *prima facie* competition concerns.⁴⁸

⁴⁷ The Parties submitted that [redacted] (Merger Notice, paragraph 60 and Response to the Issues Letter, paragraph 7.2).

⁴⁸ Pubs that failed the primary filter are listed in Annex 1.

Secondary filters

85. Consistent with the approach adopted in *Heineken/Punch*, the CMA applied a second stage analysis in relation to each of the 83 pubs that failed the primary filter.
86. A pub passed the secondary stage if at least one of the following three filters was passed:
- (a) For dry-led pubs only, a pub passes the secondary stage if, after the inclusion of wet-led pubs in the competitor set with a weight of 0.2, the combined share of the Parties falls below 35% in the pub's catchment area;⁴⁹
 - (b) A pub passes the secondary stage if both the following criteria are met:⁵⁰
 - (i) The other merging Party's pub(s) is not within half of the relevant distance/isochrone (see paragraph 76); and
 - (ii) There are at least two competitor pubs closer to the centroid pub.
 - (c) For city centre pubs only, a pub also passes the secondary stage if at least one of the following criteria is met:⁵¹
 - (i) The Parties' combined market share falls below 35% when the catchment area is flexed by 0.1 mile up; or
 - (ii) The Parties' combined market share falls below 35% when the catchment area is flexed by 0.1 mile down.
87. The Parties submitted that, based on their analysis, 51 pubs failed the secondary filter. The CMA agrees that the 51 pubs identified by the Parties have failed the secondary filter. However, the CMA also considers that three more pubs that the Parties did not include in their analysis and that failed the primary filter also fail the secondary filter.⁵²

⁴⁹ This filter reflects the extent of competitive constraint exerted on dry-led pubs by wet-led pubs (*Heineken/Punch*, paragraph 60).

⁵⁰ This filter takes into account the relative geographic proximity of the Parties' and competitors' pubs in a given area (*Heineken/Punch*, paragraph 60).

⁵¹ This filter reflects the fact that a strict catchment area may not adequately reflect the geographic scope of competition in city centres (*Heineken/Punch*, footnote 63).

⁵² See paragraph 83 above.

Results

88. Following the application of the secondary filters to the 83 pubs that failed the primary filter, there remain 54 pubs that raise *prima facie* competition concerns.⁵³

Individual assessment

Individual assessment principles proposed by the Parties

89. The Parties proposed applying certain principles for individual assessment in relation to 19 pubs that fail the primary and secondary filters and submitted that, based on at least one of these principles, no realistic prospect of a SLC arises from the Merger in relation to those 19 pubs.⁵⁴ The principles proposed by the Parties are set out in Table 2 below.⁵⁵

⁵³ Pubs that failed the secondary filters are listed in Annex 2.

⁵⁴ Merger Notice, paragraph 181.

⁵⁵ Merger Notice, paragraphs 178-314.

Table 2: Individual assessment principles proposed by the Parties in the Merger Notice

Principle 1 – location factors	1a	'In some areas, the Parties consider that two or more competitors' pubs in the same local area, closer than the other Party's pub(s), exert a significant competitive constraint, reducing the strength of competition from the other Party's pub(s)'
	1b	'In some areas, the Parties consider that a nearby cluster of competitor pubs exert a significant competitive constraint on the Parties' pubs located in adjacent suburban areas'
	1c	'Certain areas are classified as "urban major conurbations" in ONS and are therefore treated as city centres ... but it is obvious from examining the area in which the Parties' pubs are located that it is not a city centre in line with the CMA's description set out in Heineken / Punch. In these cases, the Parties consider that nearby competitors outside the strict half-mile radius for a city centre are relevant to the local analysis'
Principle 2 – additional competitors	2a	'In some areas there are additional pub competitors that are not reflected in the CGA Index ⁵⁶ the inclusion of which would dilute the Parties' combined share below the 35%'
	2b	'In some areas there are additional competitors that are not treated as pubs in the CGA Index, but which are operating like a pub in practice and therefore should be fully recognised as a competitor'
Principle 3 – long leases	3	'Certain Ei pubs are on very long leases which, in conjunction with other Principles above, reduces the competition impact of the Transaction'
Additional principle – [redacted]		'The Famous Three Kings pub is on a [redacted]'

Source: Merger Notice and the Parties' supplemental submission dated 28 October 2019.

90. In the course of the investigation, the CMA provided an initial assessment of the above principles to the Parties.⁵⁷ Following the CMA's feedback, the Parties decided not to make further submission with regard to Principles 1b and 3. The Parties revised the remaining principles for individual assessment and decided to rely only on the application of revised Principle 1a, revised Principle 1c, and Principles 2a and 2b (the **Revised Principles**). The Parties submitted that there are 17⁵⁸ pubs failing the primary and secondary filters for which no realistic prospect of an SLC arises and set out revised individual assessments for each of these areas.

⁵⁶ The CGA Index is a database including data on the location, owner and type of pubs, bars, restaurants, hotels and other outlets in the UK.

⁵⁷ As regards Principle 1b, the Parties suggested that the CMA should include some competitor pubs just outside the catchment area in the assessment. The CMA considered that is that this would undermine the primary and secondary filters. As regards Principle 3, the Parties submitted that the Merged Entity would have limited ability to change the offering of the Ei pubs in the area where these are under a very long lease. Based on the available evidence, the CMA considered [redacted].

⁵⁸ As explained in paragraphs 89-90, originally, the Parties submitted that there were 19 pubs failing the primary and secondary filters for which no realistic prospect of an SLC arises. However, having revised the proposed principles and after having withdrawn principles 1b and 3 (see Table 3 below), the Parties set out principles for individual assessment in relation to 17 pubs in total.

91. The Revised Principles proposed by the Parties are set out in Table 3 below.⁵⁹

Table 3: Revised individual assessment principles proposed by the Parties

Principle 1 - location factors	1a (revised focusing on clusters)	Cluster of competitors - there is a cluster of competitor pubs in the immediate proximity of a centroid site on the same street/in the same area (and without the presence of the other Party).
	1c (replaced by evidence-based individual submissions)	ONS city centres - on visual inspection it is clear that a small number of areas classified by ONS as city centres are not consistent with the description of city centre as per <i>Heineken/Punch</i> . Applying an urban or rural catchment area to relevant pubs would result in them passing the filters.
Principle 2 - additional competitors	2a (additional evidence provided)	Additional pub competitors - there are additional pub competitors that are not reflected in the CGA Index the inclusion of which would dilute the Parties' combined share below the 35%.
	2b	Additional "non-pub" competitors - there are additional competitors that are not treated as pubs in the CGA Index, but which are operating like a pub in practice and therefore should be fully recognised as a competitor.

Source: Parties' response to the Issues Letter dated 12 November 2019.

General principles proposed by the Parties

92. In addition to the Revised Principles that the Parties proposed, the Parties submitted two broader arguments.
93. First, the Parties submitted that the CMA should consider the competitive landscape of each catchment area in the round, referring to the approach in *Greene King/Spirit* where the CMA '*has not applied a strict approach to each of these criteria individually but has instead considered to what extent, on the basis of all the factors taken together and compared against each of the Parties' pubs in the relevant isochrones, it is realistic that the third party pub would be a credible alternative to customers in the event of a price rise and therefore will continue to constrain the Parties post-Merger.*⁶⁰ On this basis, the Parties only relied on the Revised Principles in relation to catchment areas where their combined market share is circa 35-40% (or slightly over), ie in cases where the additional factor is most likely to alleviate any concern of a realistic prospect of an SLC.⁶¹
94. Second, the Parties also emphasised that they do not have access to significant (or any) documentary evidence on competitors in local areas due to

⁵⁹ The Parties' response to the Issues Letter dated 12 November 2019 (**Response to the Issues Letter**).

⁶⁰ *Greene King/Spirit*, paragraph 144.

⁶¹ Response to the Issues Letter, paragraph 2.5 and Slide 9 of the Parties' presentation at the Issues Meeting dated 11 November 2019.

the nature of the business and the sector. The Parties submitted that where no internal documents are available, the CMA should place appropriate weight on the extrinsic evidence provided by the Parties (such as maps and street views, opening hours, photos, Google reviews etc).⁶²

Assessment

General approach

95. In its decision in *Heineken/Punch*, the CMA set out some broad principles regarding the further competitive analysis of areas that fail the primary and secondary filters. In particular, the CMA noted that:
- (a) The threshold for including additional competitors in a local area is high in a phase 1 investigation. Additional competitors (whether additional fasciae or sites outside the catchment area used for a primary filter) are only likely to be included where clear and convincing evidence, relating to a set of objectively-defined criteria, can be provided to support their inclusion.⁶³
 - (b) There is limited time available within a phase 1 investigation to conduct a detailed competitive assessment of a large number of local areas.⁶⁴
 - (c) The competitive assessment will typically be based on an assessment of factors that can be systematically applied across all local areas (rather than an in-depth assessment of the varied indicators of competition), provided that such systematic factors do not undermine the initial filters used by the CMA.⁶⁵
 - (d) Non-systematic factors submitted by the Parties need to be supported by sufficient evidence.⁶⁶
96. The CMA considers that the principles articulated in *Heineken/Punch* continue to be appropriate when assessing both the general and the Revised Principles proposed by the Parties.

⁶² Response to the Issues Letter, paragraph 2.6.

⁶³ *Heineken/Punch*, paragraph 175.

⁶⁴ *Heineken/Punch*, paragraph 176.

⁶⁵ *Heineken/Punch*, paragraph 177. The CMA notes that this is a particularly stringent factor, which, for example, excludes the application of further sensitivity checks after the filtering.

⁶⁶ *Heineken/Punch*, paragraph 178.

CMA's view of the Parties' general principles

97. As concerns the Parties' submissions in relation to the overall approach to the assessment of competition, the CMA believes that filters play an important function in ensuring that the CMA's assessment of competition at a local level is consistent, efficient and fair in cases involving numerous catchment areas by screening out overlap areas where there are unlikely to be competition concerns.
98. The filters applied in this case (and previously in *Heineken/Punch* and *Greene King/Spirit*), were informed by the available evidence and carefully developed to reflect the conditions of competition applicable to the sector. In particular, a threshold level of concern based on a combined share of 35% and an increment of 5% reflects evidence from a consumer survey and internal documents that some customers would switch to alternatives outside the effective competitor set.⁶⁷ The Parties did not dispute that this was a sensible threshold level of concern in this case.⁶⁸
99. The CMA recognises the importance of not adopting an overly rigid approach to competitive assessment (and will assess all of the available evidence in the round). The CMA notes, however, that a given area will only fail a filter where the Parties' combined activities give rise to a significant degree of concentration. The CMA considers that it is generally unlikely to be appropriate to place more weight on the factors put forward by the Parties to suggest that they are not close competitors simply because the significant degree of concentration brought about by the Merger is lower than in other local areas.
100. As concerns the CMA's approach to the weight that should be placed on particular types of evidence in this case, the CMA notes that it has carefully considered all available evidence, including the Parties' internal documents (where this type of evidence was available) when assessing individual catchment areas that failed the primary and secondary filters. While the CMA understands that, due to the nature of the business and the sector, there may be limited documentary evidence in relation to specific local areas or pubs, this does not affect the evidentiary threshold which must be met to, for example, include additional competitors in a local area. The CMA must at all times make decisions based on objective and verifiable evidence, in particular when deviating from its filtering methodology, which is based on substantial evidence including survey results, Parties' and competitors' feedback on competitive conditions and dynamics, etc. It is not the case that certain types

⁶⁷ *Greene King/Spirit*, paragraphs 109-102.

⁶⁸ Merger Notice, paragraph 171.

of evidence should be given more weight than might otherwise be the case (given the limitations inherent in that type of evidence) simply because other types of evidence (which might be more readily available in cases in other sectors) is not available.

Individual assessment

101. The CMA considered the principles for individual assessment proposed by the Parties and application of those principles in relation to the Parties' relevant pubs in turn.

Principle 1a

102. The Parties submitted that some areas which failed the primary and secondary filters contain a cluster of competitor pubs in the immediate proximity of a centroid site (on a high street or in a central area of a town), with the other Party's pub being further away in each of the above areas. In addition, the Parties submitted that their combined market shares in these areas were around 35-40% (or slightly over) and considered their modest market shares, combined with proximate third party competition, would remove any realistic prospect of an SLC.
103. As noted above, in *Heineken/Punch* the CMA recognised that distance is a key parameter of competition. However, in *Heineken/Punch* the CMA only cleared cases failing the secondary filters where pubs were 'clustered' in certain smaller areas within the catchment area, and therefore pubs from outside the 'cluster' would likely be more remote competitive constraints.⁶⁹
104. In the interests of consistency and transparency, the CMA believes (consistent with its approach in *Heineken/Punch*) that it is only possible to dismiss competition concerns in areas where a cluster is clearly identifiable on the basis of the available evidence.
105. The Parties submitted that Principle 1a applies to four pubs:
- (a) Slug & Lettuce Beckenham;
 - (b) Three Tuns High Wycombe;
 - (c) Antelope High Wycombe;

⁶⁹ *Heineken/Punch*, paragraphs 170-172. Examples of such clusters of pubs may be groups of pubs located along a high street, in the proximity of a waterfront, etc.

(d) Bar Italia Uxbridge.

106. The CMA considered the application of Principle 1a in relation to the above pubs in turn.

- *Slug & Lettuce Beckenham*

107. The Parties submitted that The Slug & Lettuce, the Stonegate pub, is situated on Beckenham High Street on a dense shopping, entertainment and leisure area. The combined share of supply in the entire catchment area is [40-50]% (with an increment of [5-10]%), whereas the combined share on the High Street is [20-30]% (with an increment of [10-20]%). The Parties submitted that within the immediate vicinity of the Slug & Lettuce there are three third party pubs, all located on the same High Street within minutes' walking distance of the Slug and Lettuce. The Parties stated that Ei's pub, the Coach & Horses, is quite close to the centroid but is located off the High Street and the other Ei pubs are significantly further away. Moreover, the Parties submitted that in Stonegate's recent [§<].

108. The CMA notes that Ei's pub, the Coach and Horses is just 140 feet away and less than one minute walk from the High Street and just a three minute walk from the centroid pub, Slug & Lettuce Beckenham. The Coach and Horses is also much closer to the centroid pub than many of the pubs on the High Street. The CMA therefore considers that the Coach and Horses is likely to impose a material competitive constraint on pubs located on High Street in large part because of its proximity to them.

109. On this basis, the CMA considers that all pubs in the catchment area should be included in the analysis (rather than competition being analysed primarily by reference to separate clusters within that area).

110. Therefore, the CMA believes that the available evidence, in the round, supports the position that the Merger gives rise to the realistic prospect of an SLC in relation to Slug & Lettuce Beckenham.

- *Three Tuns High Wycombe and Antelope High Wycombe*

111. The Parties submitted that the two relevant Ei centroids located in High Wycombe, namely the Antelope and Three Tuns, are situated in the town centre which is centred around the High Street and 'Church Square', which is a partially pedestrianised area. The Parties also stated that within the immediate vicinity of the Antelope and Three Tuns are four third party pubs within minutes' walking distance from both Ei sites which impose a material competitive constraint on the two Ei pubs due to their proximity. In addition,

the Parties submitted the closest Stonegate pub in the catchment area, Yates, is located further away in a different area, physically separated by the Eden Shopping Centre and the Chiltern Shopping Centres.

112. The CMA recognises that two competitor pubs are closer to each of the Three Tuns and the Antelope than the closest Stonegate's pub. It is not, however, clear-cut that there is a cluster situated on one side of the Eden Shopping Centre. In fact, the Parties' internal documents [§<].⁷⁰ These internal documents undermine the Parties' own argument and suggest that, in practice, the Parties consider that pubs situated on both sides of the Eden Shopping Centre exercise a competitive constraint on the Parties' pubs .

113. On this basis, the CMA believes that the available evidence, in the round, supports the position that the Merger gives rise to the realistic prospect of an SLC in relation to Three Tuns High Wycombe and Antelope High Wycombe.

- *Bar Italia Uxbridge*

114. The Parties submitted that the Bar Italia Uxbridge is situated on the High Street in a dense shopping, entertainment and leisure area, where there is a circuit of pubs and bars. The Parties also stated that within the immediate vicinity of the Bar Italia are two third party pubs each located on the same High Street and therefore imposing a material competitive constraint on the Bar Italia due to their close proximity. The Parties submitted that the Parties' combined share is moderate at [30-40]% (with an increment of [10-20]%) and that this is an area where the close proximity of third party pubs to the centroid means that they are a material constraint on the centroid.

115. The CMA recognises that two competitor pubs are situated closer to the centroid pub than the closest Stonegate pub. However, the CMA notes that two more pubs, including Stonegate's Miller's Tap, are also on the High Street and are less than ten minutes walking distance from the Bar Italia. Three more pubs, including Stonegate's Metropolitan, are just off the High Street and within a few minutes' walking distance from the Bar Italia. A Stonegate internal document⁷¹ shows that the Miller's Taps Uxbridge [§<]. This suggests that all pubs in the catchment area are likely to compete, irrespective of whether they are situated on or off the High Street. For these reasons, the CMA considers that a cluster such as the one suggested by the Parties is not clearly identifiable.

⁷⁰ See the [§<], Merger Notice, Annex 13.

⁷¹ See the [§<], Merger Notice, Annex 13.

116. For the reasons provided above, the CMA the CMA believes that the available evidence, in the round, supports the position that the Merger gives rise to the realistic prospect of an SLC in relation to Bar Italia Uxbridge.

Conclusion

117. Therefore, the CMA considers that the Merger gives rise to the realistic prospect of an SLC in relation to Slug & Lettuce Beckenham; the Three Tuns High Wycombe; Antelope High Wycombe; and Bar Italia Uxbridge.

Principle 1c

118. In their analysis, the Parties used ONS definitions for urbanicity as the starting point for the assessment of the overlaps between the Parties. The Parties identified six centroids where they considered that nearby competitors outside the strict half-mile radius for a city centre are relevant to the local analysis:

- (a) Whitehills, Chester Le Street;
- (b) Garden Farm; Chester Le Street;
- (c) Coach & Horses, Ickenham;
- (d) Home Bar & Kitchen, Ickenham;
- (e) Fox And Hounds Newmillerdam;
- (f) Dam Inn Wakefield.⁷²

119. In particular, the Parties proposed to correct the city centre classification for some pubs failing the filters and apply either urban or rural classification instead. While the Parties agreed with the CMA's initial assessment,⁷³ and confirmed that it is not possible to apply a systematic principle within these areas, they submitted that the individual evidence in relation to these catchment areas demonstrates that the areas do not meet the description of city centres set out in *Heineken/Punch*, namely 'that these areas typically have a large daytime population (because of the presence of offices, shopping and other amenities) and that they are areas where customers generally walk between the locations that they visit (ie offices, shopping, and

⁷² Merger Notice, paragraph 182 and Response to the Issues Letter, paragraph 4.4.

⁷³ The CMA considered that this principle cannot be applied systematically across all pubs' local areas and would undermine the primary and secondary filters. In particular, while the Parties proposed to correct the city centre classification for some pubs failing the filters, the Parties did not review the city centre classification for the pubs passing the filters, which may could have led to additional pubs failing the filters.

other amenities – including pubs)⁷⁴. The Parties submitted that this should be sufficient to dismiss competition concerns within these catchment areas (notwithstanding the absence of any factor that can be systematically applied within each of these areas).

120. The CMA notes that the ONS definitions are based on objective considerations such as population density. The ONS identifies areas with the highest population density as ‘major urban conurbations’, and these areas have been designated as ‘city centres’ for the purpose of the filters.⁷⁵ In *Heineken/Punch*, the designation of areas as ‘city centres’ in the data set was used to identify those areas where people were more likely to walk to the pub and therefore where catchment areas were expected to be smaller. In the current case, the designation of areas as ‘major urban conurbations’ (using the ONS data) has the same purpose.
121. Consistent with the overall approach set out above, the CMA considers that it is generally not appropriate to depart from a given aspect of a filtering methodology where this would undermine the primary and secondary filters used in that methodology. Consistent with the approach adopted in *Heineken/Punch*,⁷⁶ the CMA would (in this case) be unable to assess whether competition concerns would arise in areas that have been ‘cleared’ by the filtering methodology if the Parties’ proposal to classify certain city centres as urban or rural catchment areas were to be applied in other areas.
122. In any case, the CMA considers that the evidence submitted by the Parties to support the position that these areas should be re-classified – which consisted of maps, pictures and screenshots of Google Street view in relation to the above-listed six pubs – is not compelling, in particular because of the risk that it provides only a partial view of the characteristics of the area in question. The CMA also notes that this evidence is inherently difficult to objectively verify, particularly within the context of the CMA’s limited availability to conduct an in-depth analysis of a large number of local areas in a Phase 1 investigation.

Conclusion

123. Therefore, the CMA considers that the Merger gives rise to the realistic prospect of an SLC in relation to Whitehills, Chester Le Street; Garden Farm,

⁷⁴ *Heineken/Punch*, paragraph 135.

⁷⁵ See paragraph 4.15 of the ONS’ [RUC2011 Methodology Paper \(August 2013\)](#).

⁷⁶ *Heineken/Punch*, paragraph 177.

Chester Le Street; Coach & Horses, Ickenham; Home Bar & Kitchen, Ickenham; Fox And Hounds Newmillerdam; and Dam Inn Wakefield.

Principle 2a and Principle 2b

124. In relation to Principle 2a and Principle 2b, the Parties have suggested applying both principles to some pubs. For that reason, the CMA will first provide an overview of each of the Principles 2a and 2b and will then consider the application of one or both principles in relation to the Parties' relevant pubs in turn.

Principle 2a

125. The Parties submitted that Principle 2a involves the identification of additional pub sites that are not reflected in the CGA Index, the inclusion of which would dilute the Parties' combined share below the 35%. The Parties submitted that this principle would apply to five centroid pubs:⁷⁷
- (a) the Half Crown, Benfleet;
 - (b) the Lion Brewery Ash;
 - (c) the Red Lion, Erdington;
 - (d) the New Inn, Erdington;
 - (e) the Sportsman, Bishopston.

Principle 2b

126. The Parties submitted that Principle 2b involves the identification of competitors that are not treated as pubs in the CGA Index, but which are operating like a pub in practice and therefore should be fully recognised as a competitor.
127. The Parties submitted that in identifying these areas on which they have made further submissions as to the lack of a realistic prospect of an SLC, the Parties have taken into account the following factors and evidence (as relevant):

⁷⁷ In the Merger Notice the Parties submitted that Principle 2a would also apply to the Occasional Half, Palmers Green; the Antelope, High Wycombe; and the Three Tuns, Wycombe (Merger Notice, paragraph 182). However, in the Response to the Issues Letter, having revised the application of the principle, the Parties did not provide any further evidence in relation to these three pubs.

- (a) the limited combined market shares in each area;
 - (b) any relevant internal documents (in the case of Charles XII, the Stonegate [~~8~~]);
 - (c) feedback from the relevant operators or managers of the centroid pubs who highlighted these competitors when identifying their key competitors during the course of the Parties' preparations for the Merger Notice;
 - (d) the close proximity of the "non-pub" competitors; and
 - (e) the demographics of the local areas.
128. The Parties submitted that certain third-party venues, which the Parties believe are in direct competition with the Parties' pubs, should be treated as competitors in relation to four of the Parties' pubs:⁷⁸
- (a) in relation to Red Lion Erdington – Erdington Social Club;
 - (b) in relation to New Inn Erdington – Erdington Social Club;
 - (c) in relation to King's Arms, Caerphilly – Caerphilly Social Club;
 - (d) in relation to Charles XII, York – Courtyard.
129. The CMA considered the application of Principle 2a and Principle 2b (or both) in relation to the pubs listed in paragraphs 125 and 128 in turn.
- *The Half Crown, Benfleet (Principle 2a)*
130. The Parties submitted that a competitor venue which is not included in the CGA Index is active in the area, ie the CGA index does not include Barge Gladys Benfleet. The Parties submitted that Barge Gladys is an old barge that has been converted into a pub. The Parties also submitted that the inclusion of Barge Gladys in the catchment would bring the Parties' combined market share below the 35% primary filter threshold.
131. Based on the available evidence, in particular the CGA's confirmation that Barge Gladys will be added as a pub to the CGA Index in the next issuance, the CMA has included it in the competitor set in relation to The Half Crown, Benfleet.

⁷⁸ In the Merger Notice the Parties submitted that Principle 2b would also apply to the Bar Italia, Uxbridge (Merger Notice, paragraph 182). However, in the Response to the Issues Letter having revised the application of the principle, the Parties did not provide any further evidence in relation to this pub.

132. The inclusion of Barge Gladys in the catchment area reduces the Parties' combined share below 35%. The CMA therefore considers that no realistic prospect of a SLC arises for The Half Crown, Benfleet.

- *The Lion Brewery Ash (Principle 2a)*

133. The Parties submitted that the CGA index does not include the Admiral, Ash Vale (72 Vale Rd, Ash Vale, Aldershot, GU12 5HS). The Parties also submitted that the Admiral re-opened on 23 August 2019 following a closure of two years. The Parties submitted that the Admiral is open from midday until 11pm every day and in all respects is a 'pub', offering a wide selection of food, drinks and events. The Parties also stated that the inclusion of the Admiral in the catchment would bring the Parties' combined market share below the 35% primary filter threshold.

134. Based on the available evidence, in particular the CGA's confirmation that The Admiral, Ash Vale will be added as a pub to the CGA Index in the next issuance, the CMA has included it in the competitor set in relation to The Lion Brewery Ash.

135. The inclusion of The Admiral, Ash Vale in the catchment area, reduces the Parties' combined share below 35%. The CMA therefore considers that no realistic prospect of a SLC arises for The Lion Brewery Ash.

- *The Red Lion, Erdington (Principle 2a and 2b)*

136. Under Principle 2a, the Parties submitted that the Cross Keys pub (which used to be a Stonegate pub) was sold to an independent operator in September 2018. While the site is currently closed, it is under refurbishment and is expected to reopen in October 2019. The Parties submitted that inclusion of the Cross Keys in the catchment area means that the area passes the primary filter, as the Parties' combined market share reduces to [30-40]%.

137. The CMA must assess at Phase 1 whether there is a 'realistic prospect of an SLC', ie the test for reference will be met if the CMA has a reasonably held belief that, on the basis of the evidence available to it, there is at least a realistic prospect that a merger may be expected to result in an SLC. The CMA understands that the current owner of the Cross Keys pub [redacted]. Based on this evidence, the CMA is satisfied that the Cross Keys pub is currently closed and there is at least a reasonable prospect that it will not re-open in the foreseeable future. The Parties did not provide any evidence which would support a different view. The CMA therefore has not included the Cross Keys pub in the competitor set. This also applies to the New Inn, Erdington, as explained in paragraphs 144-146 below.

138. Under Principle 2b, the Parties submitted that the Erdington Club (a working men's club) should be given a 1:1 weighting as a direct competitor even though it is classified by the CGA under 'All Other Registered Clubs/Community Halls' and is therefore not considered a pub under the CMA's classifications. The Parties also submitted that with a value drinks offer, parking, sports and events, and all-day opening hours that are similar to those of the Parties' sites, the Erdington Club competes closely with the Parties' sites in the area. Moreover, the Parties stated that the Erdington Club is very close in proximity to the Parties' pubs.
139. The CMA notes that the Parties' internal documents⁷⁹ specifically identify the Erdington Club as a competitor, stating that [redacted]. The description of the Erdington Club in the internal documents suggests that in practice it is considered as a competitive threat to the Parties' pubs. The CMA also recognises that the Erdington Club is open to members and non-members and therefore is accessible to all customers.
140. Based on the available evidence, in particular the specific references to the Erdington Club in the Parties' internal documents, the CMA considers that the Erdington Club is considered by the Parties as a competitive constraint to their pubs in this area. The CMA has therefore included the Erdington Club in the competitor set in relation to the Red Lion Erdington (and the New Inn Erdington, as discussed in paragraphs 144-146 below).
141. In addition, the CMA notes the Parties included the HQ Bar in their analysis even though the HQ Bar is currently closed. The Parties provided evidence that the new owner of the HQ Bar had been granted a trading licence on 8 April 2019. As noted in paragraph 137 above, the test for reference is met if the CMA reasonably believes that on the basis of the evidence available to it, there is at least a realistic prospect that a merger may be expected to result in an SLC. Taking into account that the HQ Bar is currently closed and, despite having been granted a licence, has not re-opened in a period of at least nine months and is currently closed, the CMA believes that there is at least reasonable prospect that it will not re-open in the foreseeable future. The CMA also notes that the Parties did not provide any evidence which would support a different view. Accordingly, the CMA has not included the HQ Bar in the competitor set in relation to the Red Lion Inn, Erdington. This also applies to the New Inn, Erdington, as explained in paragraphs 144-146 below.
142. For the reasons set out above, the CMA considers that, in relation to the Red Lion Erdington, the Erdington Club should be included the competitor set, but

⁷⁹ Merger Notice, Annex 13 ([redacted]).

the Cross Keys and the HQ Bar should not be included in the competitor set. On this basis, the combined share of the Parties remains above 35% ([30-40]%, with an increment of [10-20]%). The Red Lion Erdington, therefore, continues to fail the secondary filters.

143. Therefore, the CMA considers that the Merger gives rise to the realistic prospect of an SLC in relation to the Red Lion Erdington.

- *The New Inn, Erdington (Principle 2a and 2b)*

144. In relation to the New Inn Erdington, the Parties provided similar arguments as in relation to the Red Lion Erdington, ie the Parties consider that the Cross Keys pub should be included in the competitor set under Principle 2a (see paragraph 136 above) and that Erdington Social Club should be included in the competitor set under Principle 2b (see paragraph 137 above). The Parties have also included the HQ Bar in the analysis even though the pub is currently closed (see paragraph 141 above).

145. Based on the CMA's reasoning provided above (see paragraphs 137 and 139-140), the CMA considers that, in relation to the New Inn Erdington, the Erdington Club should be included the competitor set, but the Cross Keys and the HQ Bar should not be included in the competitor set. On that basis, the combined share of the Parties is [40-50]% (with an increment of [10-20]%) and it continues to fail the secondary filter.

146. Therefore, the CMA considers that the CMA considers that the Merger gives rise to the realistic prospect of an SLC in relation to the New Inn Erdington.

- *The Sportsman, Bishopston (Principle 2b)*

147. Under Principle 2b, the Parties submitted that they have identified a further pub competitor, the Filthy XIII, in the relevant catchment area for the Sportsman, Bishopston, the inclusion of which would reduce the Parties' combined market share below 35%. The Parties consider the Filthy XIII to be a direct competitor of the Sportsman, such that it should be included in the market share assessment. The available evidence shows that the CGA will add the Filthy XIII to the CGA Index. In addition, the Parties confirmed and provided evidence that other competitor pubs included in the CGA Index in the catchment area for the Sportsman are open and trading.⁸⁰

148. The CMA considers that even though the Filthy XIII is currently not included in the CGA Index, the CGA's confirmation that it is planning to include the pub in

⁸⁰ Merger Notice, Annex 40.

the CGA Index gives sufficient assurance to the CMA that this venue can be considered as a pub and should be included in the competitor set in relation to the Sportsman, Bishopston.

149. The inclusion of the Filthy XIII in the competitor set in relation to the Sportsman, Bishopston, reduces the Parties' combined share below 35% (ie the combined share of the Parties is [30-40]% (with an increment of [5-10]%%)). The CMA therefore considers that no realistic prospect of a SLC arises in relation to the Sportsman, Bishopston.

- *King's Arms, Caerphilly (Principle 2b)*

150. The Parties consider that the Caerphilly Social Club and Institute should be included as a direct competitor even though it is classified by the CGA under 'Other Social Clubs'. The Parties submitted evidence from public sources in relation to the Caerphilly Social Club's opening hours, entertainment and drinks offer and confirmed that the club is open both to members and non-members. The Parties also stated that the Caerphilly Social Club is identified as a pub in WhatPub website.

151. The CMA recognises that the Caerphilly Social Club has similar opening hours and its drink or entertainment offering may be similar to those of the Parties' pubs. However, the CMA notes (within the context of high threshold for the inclusion of additional competitors described in paragraph 95(a) above) that it has not been provided with any further direct evidence showing that this venue exerts a competitive constraint on the Parties' pubs (in particular there are no references to the Caerphilly Social Club in the Parties' internal documents). In addition, the CMA notes that WhatPub is not a recognised industry body (as opposed to the CGA), that it relies on local volunteers to collate information about local areas and that it is not clear whether a pub has to undergo a specific process to be listed (as is the case with the CGA). The CMA has therefore attached little weight to the inclusion and listing of the Caerphilly Social Club on this website.⁸¹

152. On this basis, the CMA considers that the evidence is not sufficient to mitigate the realistic prospect of an SLC in relation to the King's Arms Caerphilly on the basis of Principle 2b.

- *Charles XII, York (Principle 2b)*

153. The Parties submitted that, while not identified as a pub in the CGA Index, the Charles XII considers The Courtyard (the university's own bar and food

⁸¹ The CMA also notes that WhatPub includes venues listed in the CGA as restaurants, clubs, etc.

complex) as a key competitor as it offers a good range of subsidised drink and food, also showing Sky Sports to students. The Parties noted [redacted] for the Charles XII states that [redacted]. In addition, The Courtyard is very close in proximity to the Charles XII, York, and a significant proportion of the Charles XII's customer base are students from the nearby University of York.

154. The CMA notes the reference to Courtyard in the Parties' internal documents, its drink and food offering and that it is in close proximity to the Charles XII. However, the CMA also notes that:

(a) The Courtyard is a university bar, and therefore not all Charles XII customers can go to Courtyard. A Stonegate internal document – the [redacted] for the Charles XII – identifies non-student groups as part of the pub's customer base: [redacted].⁸² The CMA is not able to assess the proportion of customers at the Charles XII pub that might be able to switch to The Courtyard (or whether the Charles XII might be able to price discriminate between customers who could switch to The Courtyard and those who could not through the use of offerings such as student discount cards).

(b) On the University of York Students' Union webpage, The Courtyard is advertised as a student pub stating that it is ' [t]he perfect space to hang in between lectures, catching up with friends or just blowing off some steam after a long day of being a student' and that '[The Courtyard has a bright and vibrant atmosphere that can cater to all student needs'; and

(c) The Courtyard closed on 31 October 2019 and the University of York Student's Union is not yet able to provide a date for when it will reopen.⁸³

155. For these reasons, the CMA considers that the Merger gives rise to the realistic prospect of an SLC in relation to the Charles XII, York.

Conclusion of individual assessment

156. For the reasons provided above, the CMA believes that the Merger gives rise to a realistic prospect of a SLC as a result of horizontal unilateral effects in all the catchment areas of the pubs identified in Annex 2, with the exception of the following pubs:

(a) The Half Crown, Benfleet (see paragraph 132 above);

⁸² Merger Notice, Annex 28 ([redacted]).

⁸³ <https://yusu.org/news/article/courtyard-update>

(b) The Lion Brewery Ash (see paragraph 135 above); and

(c) The Sportsman, Bishopston (see paragraph 149 above).

157. The results of the CMA's current assessment of the 17 individual pubs for which the Parties submitted there was no realistic prospect of an SLC is shown in Table 2 below.

Table 4: results of individual assessment

No	Centroid pub	Applicable principles proposed by the Parties	Result of the CMA's individual assessment
1	Slug & Lettuce Beckenham (Stonegate)	1a	SLC
2	Three Tuns High Wycombe	1a	SLC
3	Antelope, High Wycombe (Ei)	1a	SLC
4	Bar Italia, Uxbridge (Ei)	1a	SLC
5	Whitehills, Chester Le Street (Stonegate)	1c	SLC
6	Garden Farm, Chester Le Street (Ei)	1c	SLC
7	Coach & Horses, Ickenham	1c	SLC
8	Home Bar & Kitchen, Ickenham (Ei)	1c	SLC
9	Fox and Hounds Newmillerdam	1c	SLC
10	Dam Inn Wakefield	1c	SLC
11	Half Crown, Benfleet (Stonegate)	2a	cleared based on Principle 2a
12	Lion Brewery Ash (Ei)	2a	cleared based on Principle 2a
13	Red Lion, Erdington (Ei)	2a, 2b	SLC
14	New Inn, Erdington (Ei)	2a, 2b	SLC
15	Sportsman, Bishopston (Ei)	2a	cleared based on Principle 2a
16	King's Arms, Caerphilly (Stonegate)	2b	SLC
17	Charles XII, York (Stonegate)	2b	SLC

Conclusion on horizontal unilateral effects

158. For the reasons set out above, the CMA believes that, of the 54 local areas that fail the primary or secondary filtering, competition concerns would not arise within three of those areas (The Half Crown, Benfleet; The Lion Brewery Ash; and The Sportsman, Bishopston). However, the CMA found that the Merger raises significant competition concerns as a result of horizontal unilateral effects in relation to the operation of pubs in the remaining 51 catchment areas.

Barriers to entry and expansion

159. Entry, or expansion of existing firms, can mitigate the initial effect of a merger on competition, and in some cases may mean that there is no SLC. In assessing whether entry or expansion might prevent an SLC, the CMA

considers whether such entry or expansion would be timely, likely and sufficient.⁸⁴

160. The Parties submitted that there are significant differences in the costs of entry or expansion depending on whether an operator takes over ownership of an existing pub, opens a managed pub, or opens a new build pub:
- (a) Entry barriers for pub operations are not significant when ownership of an existing leased and tenanted pub is transferred:
 - (i) The investment from the tenant is approximately £5,000; and
 - (ii) The investment required from the pub operator can vary from little or no investment when the pub is in good condition to approximately £150,000;
 - (b) A managed pub could be opened, similarly, with a range of investment ranging from little or no investment to approximately £150,000-400,000;
 - (c) Consistent with the CMA's findings in *Greene King/Spirit*, a new build pub would cost around £2.5m and take around two years to open.
161. The CMA has specifically considered the potential re-opening of certain pubs in the catchment areas of three pubs (The Lion Brewery Ash; The Half Crown, Benfleet; and the Sportsman, Bishopston⁸⁵). Beyond that, the CMA does not consider that entry and expansion would be timely, likely and sufficient to offset any SLCs from the Merger. In particular, the CMA has not received any evidence, either from the Parties or from its investigation, that entry is likely in the near future in the catchment areas of the remaining pubs failing the secondary filter.

Conclusion on substantial lessening of competition

162. Based on the evidence set out above, the CMA believes that it is or may be the case that the Merger may be expected to result in an SLC as a result of horizontal unilateral effects in relation to the operation of pubs in 51 catchment areas specified in Annex 3.

Decision

163. Consequently, the CMA believes that it is or may be the case that (i) arrangements are in progress or in contemplation which, if carried into effect,

⁸⁴ [Merger Assessment Guidelines](#), from paragraph 5.8.1.

⁸⁵ Merger Notice, paragraphs 183-201.

will result in the creation of a relevant merger situation; and (ii) the creation of that situation may be expected to result in an SLC within a market or markets in the United Kingdom.

164. The CMA therefore believes that it is under a duty to refer under section 33(1) of the Act. However, the duty to refer is not exercised whilst the CMA is considering whether to accept undertakings under section 73 of the Act instead of making such a reference.⁸⁶ The Parties have until 13 December 2019⁸⁷ to offer an undertaking to the CMA.⁸⁸ The CMA will refer the Merger for a phase 2 investigation⁸⁹ if the Parties do not offer an undertaking by this date; if the Parties indicate before this date that they do not wish to offer an undertaking; or if the CMA decides⁹⁰ by 20 December 2019 that there are no reasonable grounds for believing that it might accept the undertaking offered by the Parties, or a modified version of it.

Colin Raftery
Senior Director, Mergers
Competition and Markets Authority
6 December 2019

⁸⁶ Section 33(3)(b) of the Act.

⁸⁷ Section 73A(1) of the Act.

⁸⁸ Section 73(2) of the Act.

⁸⁹ Sections 33(1) and 34ZA(2) of the Act.

⁹⁰ Section 73A(2) of the Act.

ANNEX 1 – LIST OF PUBS THAT FAIL THE PRIMARY FILTER

Owner	Name	Postcode	Dry / Wet	Urbanicity	Combined share	Increment
Stonegate	Bird in Hand Forest Hill London	SE23 3HN	Wet	City Centre	[40-50]%	[10-20]%
Stonegate	Half Crown Benfleet	SS7 1NA	Wet	Urban	[40-50]%	[20-30]%
Stonegate	Goose Fulham	SW6 1NL	Wet	City Centre	[60-70]%	[10-20]%
Stonegate	The Slug Fulham	SW6 5NH	Wet	City Centre	[40-50]%	[5-10]%
Stonegate	Coach & Horses Ickenham	UB10 8LJ	Dry	City Centre	[60-70]%	[30-40]%
Stonegate	Famous Three Kings Fulham	W14 9NL	Wet	City Centre	[40-50]%	[10-20]%
Stonegate	Navigation Hotel Altrincham	WA14 4PY	Wet	City Centre	[50-60]%	[20-30]%
Stonegate	The Dam Inn Wakefield	WF2 6QG	Dry	City Centre	[60-70]%	[30-40]%
Stonegate	Charles XII York	YO10 5EA	Wet	Urban	[30-40]%	[5-10]%
Stonegate	Kings Arms Caerphilly	CF83 1JQ	Wet	Urban	[30-40]%	[5-10]%
Stonegate	Swan Birmingham	B23 6SA	Wet	City Centre	[40-50]%	[10-20]%
Stonegate	Lamb Edmonton London	N9 9PA	Wet	City Centre	[70-80]%	[20-30]%
Stonegate	Occasional Half Palmers Green London	N13 4TD	Wet	City Centre	[50-60]%	[20-30]%
Stonegate	Chiltern Taps High Wycombe	HP11 2ND	Wet	Urban	[30-40]%	[10-20]%
Stonegate	Slug and Lettuce Beckenham	BR3 1EA	Wet	City Centre	[40-50]%	[5-10]%
Stonegate	The Gatehouse Tonbridge	TN9 1DL	Wet	Urban	[40-50]%	[5-10]%
Stonegate	Yates High Wycombe	HP13 5DG	Wet	Urban	[30-40]%	[5-10]%
Stonegate	Gosforth Hotel Newcastle Upon Tyne	NE3 1HQ	Wet	City Centre	[30-40]%	[10-20]%
Stonegate	Whitehills Chester Le Street	DH2 3AB	Wet	City Centre	[90-100]%	[50-60]%
Stonegate	Sportsmans Arms Birkenhead	CH42 7LQ	Wet	City Centre	[50-60]%	[10-20]%
Stonegate	Halfway House Birkenhead	CH42 9QE	Wet	City Centre	[60-70]%	[20-30]%
Stonegate	The Elmbridge Arms Weybridge ⁹¹	KT13 8AB	Dry	City Centre	[90-100]%	[50-60]%
Ei	Duke Wickford	SS12 9AT	Wet	Urban	[40-50]%	[10-20]%
Ei	Garden Farm Chester-Le-Street	DH2 3EH	Wet	City Centre	[40-50]%	[20-30]%
Ei	Blacksmith's Arms Gosforth	NE3 1HD	Wet	City Centre	[30-40]%	[10-20]%
Ei	Barca Gosforth	NE3 1HD	Wet	City Centre	[30-40]%	[10-20]%
Ei	Fox and Hounds Newmillerdam	WF2 6QQ	Dry	City Centre	[90-100]%	[50-60]%
Ei	Plough Inn Three Bridges	RH10 1LG	Wet	Urban	[30-40]%	[5-10]%
Ei	Prenton Park Birkenhead	CH42 9JG	Wet	City Centre	[50-60]%	[20-30]%
Ei	Bird in Hand Palmers Green	N13 6DG	Wet	City Centre	[90-100]%	[50-60]%
Ei	Cafe 89 Crawley	RH10 1QA	Wet	Urban	[40-50]%	[5-10]%
Ei	Hill Forest Hill	SE23 3HN	Wet	City Centre	[40-50]%	[10-20]%
Ei	Fulham Mitre Fulham London	SW6 7DU	Wet	City Centre	[40-50]%	[5-10]%
Ei	Ye Olde Rose and Crown Walthamstow	E17 4SA	Wet	City Centre	[30-40]%	[10-20]%
Ei	Beehive Hotel Birkenhead	CH42 0LH	Wet	City Centre	[50-60]%	[10-20]%
Ei	Blue Lias Stockton	CV47 8LD	Dry	Rural	[30-40]%	[5-10]%
Ei	Duke of Cambridge Marlow	SL7 2PS	Wet	Urban	[30-40]%	[5-10]%
Ei	Royal Oak Tonbridge	TN10 3ED	Wet	Urban	[40-50]%	[5-10]%
Ei	Cherry Tree Maidstone	ME16 8NJ	Wet	Urban	[40-50]%	[5-10]%
Ei	Crown and Treaty Uxbridge	UB8 1LU	Wet	City Centre	[30-40]%	[5-10]%
Ei	Railway Tavern Edmonton	N9 0TZ	Wet	City Centre	[90-100]%	[30-40]%
Ei	Anchor Benfleet	SS7 1LS	Wet	Urban	[50-60]%	[20-30]%

⁹¹ See paragraph 83 above.

Ei	Antelope High Wycombe	HP11 2BN	Wet	Urban	[30-40]%	[10-20]%
Ei	Beeswing Ale House York	YO10 3JP	Wet	Urban	[30-40]%	[5-10]%
Ei	Home Bar and Kitchen Ickenham	UB10 8LJ	Dry	City Centre	[60-70]%	[30-40]%
Ei	Chequers Tonbridge	TN9 1AS	Wet	Urban	[40-50]%	[5-10]%
Ei	Clarence Fulham	W14 9PP	Wet	City Centre	[70-80]%	[10-20]%
Ei	Clinton Arms Littleham	EX8 2RL	Dry	Urban	[40-50]%	[10-20]%
Ei	Colton Arms West Kensington	W14 9SD	Wet	City Centre	[60-70]%	[10-20]%
Ei	Elephant and Castle Farnborough	GU14 6ET	Wet	Urban	[40-50]%	[10-20]%
Ei	Elm Fulham	W14 9NX	Wet	City Centre	[60-70]%	[10-20]%
Ei	Flying Dutchman Hildenbor	TN11 9EN	Wet	Urban	[50-60]%	[5-10]%
Ei	Bedford Arms Fulham	SW6 7RQ	Wet	City Centre	[40-50]%	[10-20]%
Ei	Three Tuns High Wycombe	HP11 2AG	Wet	Urban	[30-40]%	[10-20]%
Ei	Hyde Arms Edmonton	N9 9BB	Wet	City Centre	[90-100]%	[20-30]%
Ei	Imperial Hotel Birkenhead	CH42 0LR	Wet	City Centre	[30-40]%	[10-20]%
Ei	Lillie Langtry Fulham	SW6 1UE	Wet	City Centre	[40-50]%	[5-10]%
Ei	Lion Brewery Ash	GU12 6BT	Wet	Urban	[40-50]%	[20-30]%
Ei	Moonraker Crawley	RH10 1LG	Wet	Urban	[30-40]%	[5-10]%
Ei	Bar Italia Uxbridge	UB8 1JT	Wet	City Centre	[30-40]%	[10-20]%
Ei	Rylston Fulham	SW6 7LW	Wet	City Centre	[60-70]%	[10-20]%
Ei	Chancery Beckenham	BR3 5NP	Wet	City Centre	[40-50]%	[10-20]%
Ei	Old Ford Ash Vale	GU12 5QA	Wet	Urban	[50-60]%	[10-20]%
Ei	The Signal Forest Hill	SE23 3HE	Wet	City Centre	[50-60]%	[10-20]%
Ei	Redstart Barming	ME16 9HF	Wet	Urban	[40-50]%	[5-10]%
Ei	Rose and Crown High Wycombe	HP11 2PR	Wet	Urban	[30-40]%	[5-10]%
Ei	Royal Oak Bexleyheath	DA6 8JS	Wet	City Centre	[40-50]%	[10-20]%
Ei	Ship Hotel Newhaven	BN9 9PE	Dry	Urban	[30-40]%	[5-10]%
Ei	Sportsman Bishopston	BS7 9EQ	Wet	Urban	[30-40]%	[5-10]%
Ei	Swan Wickford	SS11 7AD	Wet	Urban	[40-50]%	[10-20]%
Ei	White Hart Tongham	GU10 1DH	Wet	Urban	[50-60]%	[10-20]%
Ei	White Lion Watford	WD17 1SJ	Wet	City Centre	[30-40]%	[10-20]%
Ei	Charcoal Burner Crawley	RH10 6NY	Wet	Urban	[40-50]%	[5-10]%
Ei	Horse and Chains Bushey	WD23 1BL	Wet	City Centre	[40-50]%	[20-30]%
Ei	Jolly Woodman Beckenham	BR3 6NR	Wet	City Centre	[40-50]%	[10-20]%
Ei	Man of Kent Tonbridge	TN9 1HG	Wet	Urban	[40-50]%	[5-10]%
Ei	Minstrel Boy Allesley Park	CV5 9HE	Wet	Urban	[40-50]%	[5-10]%
Ei	New Inn Erdington ⁹²	B23 6UT	Wet	City Centre	[50-60]%	[10-20]%
Ei	Old Oak West Kensington	W14 9NX	Wet	City Centre	[60-70]%	[10-20]%
Ei	Red Lion Erdington ⁹³	B23 6UG	Wet	City Centre	[40-50]%	[10-20]%

⁹² The Parties had calculated a [40-50]% combined share of supply and a [10-20]% increment for the New Inn Erdington. However, the Parties have later submitted that the HQ Bar, one of the pubs in the New Inn's catchment area, closed in March 2019 (see the Parties' response to RFI 4) and the CMA believes that there is at least reasonable prospect that it will not re-open in the foreseeable future (see paragraph 141 above). The CMA has recalculated the combined share of supply and increment accordingly.

⁹³ The Parties had calculated a [30-40]% combined share of supply and a [10-20]% increment for the Red Lion Erdington. However, the Parties have later submitted that the HQ Bar, one of the pubs in the Red Lion's catchment area, closed in March 2019 (see the Parties' response to RFI 4) and the CMA believes that there is at least reasonable prospect that it will not re-open in the foreseeable future (see paragraph 141 above). The CMA has recalculated the combined share of supply and increment accordingly.

Ei	Coach and Horses Beckenham	BR3 3LA	Wet	City Centre	[40-50]%	[5-10]%
Ei	Lazy Fox Fulham ⁹⁴	SW6 1PP	Wet	City Centre	[50-60]%	[5-10]%
Ei	Queens Head Weybridge ⁹⁵	KT13 8XS	Dry	City Centre	[90-100]%	[50-60]%

⁹⁴ See paragraph 83 above.

⁹⁵ See paragraph 83 above.

ANNEX 2 – LIST OF PUBS THAT FAIL THE SECONDARY FILTERS

Owner	Name	Postcode	Dry / Wet	Urbanicity
Stonegate	Bird in Hand Forest Hill London	SE23 3HN	Wet	City Centre
Stonegate	Half Crown Benfleet	SS7 1NA	Wet	Urban
Stonegate	Goose Fulham	SW6 1NL	Wet	City Centre
Stonegate	The Slug Fulham	SW6 5NH	Wet	City Centre
Stonegate	Coach & Horses Ickenham	UB10 8LJ	Dry	City Centre
Stonegate	Famous Three Kings Fulham	W14 9NL	Wet	City Centre
Stonegate	Navigation Hotel Altrincham	WA14 4PY	Wet	City Centre
Stonegate	The Dam Inn Wakefield	WF2 6QG	Dry	City Centre
Stonegate	Charles XII York	YO10 5EA	Wet	Urban
Stonegate	Kings Arms Caerphilly	CF83 1JQ	Wet	Urban
Stonegate	Swan Birmingham	B23 6SA	Wet	City Centre
Stonegate	Lamb Edmonton London	N9 9PA	Wet	City Centre
Stonegate	Occasional Half Palmers Green London	N13 4TD	Wet	City Centre
Stonegate	Chiltern Taps High Wycombe	HP11 2ND	Wet	Urban
Stonegate	Slug and Lettuce Beckenham	BR3 1EA	Wet	City Centre
Stonegate	The Gatehouse Tonbridge	TN9 1DL	Wet	Urban
Stonegate	Gosforth Hotel Newcastle Upon Tyne	NE3 1HQ	Wet	City Centre
Stonegate	Whitehills Chester Le Street	DH2 3AB	Wet	City Centre
Stonegate	Sportsmans Arms Birkenhead	CH42 7LQ	Wet	City Centre
Stonegate	The Elmbridge Arms Weybridge	KT13 8AB	Dry	City Centre
Ei	Garden Farm Chester-Le-Street	DH2 3EH	Wet	City Centre
Ei	Blacksmith's Arms Gosforth	NE3 1HD	Wet	City Centre
Ei	Barca Gosforth	NE3 1HD	Wet	City Centre
Ei	Fox and Hounds Newmillerdam	WF2 6QQ	Dry	City Centre
Ei	Prenton Park Birkenhead	CH42 9JG	Wet	City Centre
Ei	Bird in Hand Palmers Green	N13 6DG	Wet	City Centre
Ei	Hill Forest Hill	SE23 3HN	Wet	City Centre
Ei	Fulham Mitre Fulham London	SW6 7DU	Wet	City Centre
Ei	Cherry Tree Maidstone	ME16 8NJ	Wet	Urban
Ei	Railway Tavern Edmonton	N9 0TZ	Wet	City Centre
Ei	Anchor Benfleet	SS7 1LS	Wet	Urban
Ei	Antelope High Wycombe	HP11 2BN	Wet	Urban
Ei	Home Bar and Kitchen Ickenham	UB10 8LJ	Dry	City Centre
Ei	Chequers Tonbridge	TN9 1AS	Wet	Urban
Ei	Clarence Fulham	W14 9PP	Wet	City Centre
Ei	Elm Fulham	W14 9NX	Wet	City Centre
Ei	Three Tuns High Wycombe	HP11 2AG	Wet	Urban
Ei	Hyde Arms Edmonton	N9 9BB	Wet	City Centre
Ei	Lillie Langtry Fulham	SW6 1UE	Wet	City Centre
Ei	Lion Brewery Ash	GU12 6BT	Wet	Urban
Ei	Bar Italia Uxbridge	UB8 1JT	Wet	City Centre
Ei	Old Ford Ash Vale	GU12 5QA	Wet	Urban
Ei	The Signal Forest Hill	SE23 3HE	Wet	City Centre
Ei	Redstart Barming	ME16 9HF	Wet	Urban
Ei	Sportsman Bishopston	BS7 9EQ	Wet	Urban
Ei	Swan Wickford	SS11 7AD	Wet	Urban

Ei	White Hart Tongham	GU10 1DH	Wet	Urban
Ei	Man of Kent Tonbridge	TN9 1HG	Wet	Urban
Ei	New Inn Erdington	B23 6UT	Wet	City Centre
Ei	Old Oak West Kensington	W14 9NX	Wet	City Centre
Ei	Red Lion Erdington	B23 6UG	Wet	City Centre
Ei	Coach and Horses Beckenham	BR3 3LA	Wet	City Centre
Ei	Lazy Fox Fulham	SW6 1PP	Wet	City Centre
Ei	Queens Head Weybridge	KT13 8XS	Dry	City Centre

ANNEX 3 – LIST OF CATCHMENT AREAS THAT RESULT IN A REALISTIC PROSPECT OF AN SLC

Owner	Name	Postcode	Dry / Wet	Urbanicity
Stonegate	Bird in Hand Forest Hill London	SE23 3HN	Wet	City Centre
Stonegate	Goose Fulham	SW6 1NL	Wet	City Centre
Stonegate	The Slug Fulham	SW6 5NH	Wet	City Centre
Stonegate	Coach & Horses Ickenham	UB10 8LJ	Dry	City Centre
Stonegate	Famous Three Kings Fulham	W14 9NL	Wet	City Centre
Stonegate	Navigation Hotel Altrincham	WA14 4PY	Wet	City Centre
Stonegate	The Dam Inn Wakefield	WF2 6QG	Dry	City Centre
Stonegate	Charles XII York	YO10 5EA	Wet	Urban
Stonegate	Kings Arms Caerphilly	CF83 1JQ	Wet	Urban
Stonegate	Swan Birmingham	B23 6SA	Wet	City Centre
Stonegate	Lamb Edmonton London	N9 9PA	Wet	City Centre
Stonegate	Occasional Half Palmers Green London	N13 4TD	Wet	City Centre
Stonegate	Chiltern Taps High Wycombe	HP11 2ND	Wet	Urban
Stonegate	Slug and Lettuce Beckenham	BR3 1EA	Wet	City Centre
Stonegate	The Gatehouse Tonbridge	TN9 1DL	Wet	Urban
Stonegate	Gosforth Hotel Newcastle Upon Tyne	NE3 1HQ	Wet	City Centre
Stonegate	Whitehills Chester Le Street	DH2 3AB	Wet	City Centre
Stonegate	Sportsmans Arms Birkenhead	CH42 7LQ	Wet	City Centre
Stonegate	The Elmbridge Arms Weybridge	KT13 8AB	Dry	City Centre
Ei	Garden Farm Chester-Le-Street	DH2 3EH	Wet	City Centre
Ei	Blacksmith's Arms Gosforth	NE3 1HD	Wet	City Centre
Ei	Barca Gosforth	NE3 1HD	Wet	City Centre
Ei	Fox and Hounds Newmillerdam	WF2 6QQ	Dry	City Centre
Ei	Prenton Park Birkenhead	CH42 9JG	Wet	City Centre
Ei	Bird in Hand Palmers Green	N13 6DG	Wet	City Centre
Ei	Hill Forest Hill	SE23 3HN	Wet	City Centre
Ei	Fulham Mitre Fulham London	SW6 7DU	Wet	City Centre
Ei	Cherry Tree Maidstone	ME16 8NJ	Wet	Urban
Ei	Railway Tavern Edmonton	N9 0TZ	Wet	City Centre
Ei	Anchor Benfleet	SS7 1LS	Wet	Urban
Ei	Antelope High Wycombe	HP11 2BN	Wet	Urban
Ei	Home Bar and Kitchen Ickenham	UB10 8LJ	Dry	City Centre
Ei	Chequers Tonbridge	TN9 1AS	Wet	Urban
Ei	Clarence Fulham	W14 9PP	Wet	City Centre
Ei	Elm Fulham	W14 9NX	Wet	City Centre
Ei	Three Tuns High Wycombe	HP11 2AG	Wet	Urban
Ei	Hyde Arms Edmonton	N9 9BB	Wet	City Centre
Ei	Lillie Langtry Fulham	SW6 1UE	Wet	City Centre
Ei	Bar Italia Uxbridge	UB8 1JT	Wet	City Centre
Ei	Old Ford Ash Vale	GU12 5QA	Wet	Urban
Ei	The Signal Forest Hill	SE23 3HE	Wet	City Centre
Ei	Redstart Barming	ME16 9HF	Wet	Urban
Ei	Swan Wickford	SS11 7AD	Wet	Urban
Ei	White Hart Tongham	GU10 1DH	Wet	Urban
Ei	Man of Kent Tonbridge	TN9 1HG	Wet	Urban

Ei	New Inn Erdington	B23 6UT	Wet	City Centre
Ei	Old Oak West Kensington	W14 9NX	Wet	City Centre
Ei	Red Lion Erdington	B23 6UG	Wet	City Centre
Ei	Coach and Horses Beckenham	BR3 3LA	Wet	City Centre
Ei	Lazy Fox Fulham	SW6 1PP	Wet	City Centre
Ei	Queens Head Weybridge	KT13 8XS	Dry	City Centre