Response from CAMRA – the Campaign for Real Ale

The information in this submission is provided for general guidance and consideration only. Consequently, it may contain generalisations and we cannot guarantee accuracy, currency and completeness. Every reasonable effort to provide current and accurate information has been made, but we do not make any guarantees regarding the accuracy, currency or completeness of that information.

Contents

Executive summary

- From a consumer perspective, we believe that the UK beer and pub market is rendering itself ineligible to continue to benefit from exemptions under the current VABER and should not benefit from similar exemptions under the future VABEO.
- Continued application of exclusive purchasing and non-compete agreements in the beer and pub sector have caused, and will continue to cause, access to market issues for small brewers, inflated prices, reduced competition, and reduced amenity for consumers in the UK.
- These practices are anti-competitive, used primarily by large, multinational companies and non-brewing pub owning businesses, and restrict access to the on-trade beer market for small brewers, as well as reducing choice for consumers.
- We are broadly supportive of the CMA's recommendation to create a new VABEO to replace the lapsed VABER, as this is an opportunity to create positive changes for consumers
- The CMA should subject exclusive purchasing and non-compete agreements used in the UK beer and pub industry to greater scrutiny and fuller application of UK competition law, and therefore remove them from the benefit of the future VABEO.
- If it is not minded to remove vertical agreements in the beer and pub sector from the benefit of the VABEO entirely, we would recommend that the CMA removes the benefit of the VABEO from any company which owns or controls more than 10-15% of the UK pub market.
- Regardless of the outcome of this consultation, the UK beer and pub market needs to be constantly and closely monitored by the CMA.

Context: the global and UK beer and pub market

The global beer market

The global beer market has become progressively concentrated in recent years with the top 10 brewers dominating the international beer market with a combined market share of 72.5%[1]. The level of consolidation is illustrated by the fact that the top five beer companies have a 60% global market share. (Table 1)

As with all of the major beer drinking countries of Europe, the UK brewing industry consolidated considerably in the 20th century, particularly after 1960, though until 1992 it remained almost entirely UK-owned. In that year Danish Carlsberg took over the brewing interests of the UK's second largest brewing group Allied. In 2000, Belgian InBev (now part of AB InBev) took over those of the largest producer, Bass plc, following with those of the fourth largest, Whitbread, in 2001. Third largest, Scottish Courage, was taken over by Carlsberg and Dutch brewer Heineken in 2008.

The takeover in 2016 by the world's largest brewer AB InBev, of the second largest, SAB Miller, brought a step change in the concentration of ownership in the global brewing industry. The market share of the world's largest brewer, AB InBev, was 29.8% in 2018[2], which is nearly two and half times that of its nearest rival (Heineken) and considerably more than the other global brewers in the world's top ten (Table 1).

In recent years, a series of merger and acquisition activity has consolidated the international and UK beer market. Most recently, the 2021 creation of the Carlsberg Marston's Joint Brewing Company, the 2019 takeover of Greene King (then the UK's largest independent brewer) by Hong Kong asset company HK CKA Holdings and the takeover of Fuller's by Japanese brewer Asahi, ranked 7th in the world's top 10 brewers (Table 1).

Table 1: Top 10 Global Brewers, Market Share, Scope and Main Brands

World Ranking	Brewer	Market Share %[3]	Geographic Scope	Sample of Main Brands/Subsidiaries
1	AB InBev	29.8	Global HQ: Belgium Origins: Brazil, US & Belgium Principal assets: brands, technology & research Full global reach Strongest markets: Latin America, North America, Europe, southern Africa, Asia-Pacific & Middle East	+600 global brands: Subsidiaries: Grupo Modelo Brand ownership and brand distribution are not always linked together. Leading brands in the UK include Budweiser, Bud Light, Michelob, Stella Artois, Corona, Becks, Brahma, Castle, Labatts, Modelo, Quilmes, Leffe, Goose Island, Camden, Bass, Hoegaarden, Löwenbräu and others

[1] Statista: Consumer Goods & FMG Alcoholic Beverages (2018 data), 2020
[2] The Barth-Hass Report, Bath-Haas Group 2018-19
[3] Statista: Consumer Goods & FMG Alcoholic Beverages (2018 data), 2020

			UK operation: Budweiser Brewing Group UK&I, London	Partnership with C & C Ireland/UK to distribute AB InBev/C & C brands
2	Heineken	12.3	Global HQ & origins: Netherlands Principal assets: brands, technology & research Full global reach Operates 150+ breweries in 70 countries world-wide, including 3 in the UK; sells its beers in most other countries Strongest markets: Europe, Asia-Pacific, Africa, North America UK operation: Heineken UK, London & Edinburgh	Leading brands in the UK include Heineken, Amstel, Moretti, Foster's, Tiger, Sol, Red Stripe, Kronenbourg, Sagres, Desperados, John Smiths, Murphy's, Newcastle Brown, Maltsmiths, Lagunitas, Deuchars, plus Bulmers, Orchard Thieves, Symonds, Inch's & Old Mout ciders Owns Star Pubs & Bars and bought 1,900 pubs from Patron Capital as part of their deal to acquire Punch Pubs - an estate of ±3000 pubs in total Foster's is brewed under licence from AB InBev
3	China Resources Snow Breweries	6.4	HQ: Beijing, China China Resources Snow Breweries operates is 98 breweries in 25 provinces in China. Most of its activities are domestic currently. It bought part of SABMiller to enable the AB InBev takeover in 2016.	Heineken signed a strategic partnership agreement with CRB in 2018, taking a 40% stake. CRB took a 0.9% stake in Heineken. Since 2017 CR Snow brands (eg Snow lager are distributed in the UK by Molson Coors, through a partnership agreement, though volumes are small currently.
4	Carlsberg	5.9	Global HQ & origins: Denmark Principal assets: brands, technology & research Principal markets: most	Leading brands in the UK include Carlsberg, Poretti, Tuborg, Holsten, Skol, Marston's, Hobgoblin, Shipyard, Tetley's, Wainwright and Grimbergen, plus Somersby and Bad Apple ciders

			of Europe and Asia Operates 8 UK breweries as Carlsberg Marston UK operation: Carlsberg UK, Northampton	Also distributes Brooklyn, Erdinger, Estrella Damm, San Miguel, Warsteiner, Shed Head and Kirin Subsidiaries: Joint Venture – Carlsberg Marston's Brewing Company
5	Molson Coors	5.1	Global HQ & origins: US Principal business: brand marketing & development Principal markets: North America, central Europe, UK&I Operates 4 UK breweries UK operation: Molson Coors UK, Burton on Trent	Leading brands in the UK, brewed and/or sold under licence include Coors, Miller, Carling, Foster's, Cobra, Tyskie, Staropramen, Molson, Blue Moon, Sharp's Doom Bar, Caffrey's, Worthington, Killian's, Franciscan Well, plus Aspall, Wanderoot, Redd's and Rekorderlig ciders
6	Tsingtao Brewing Group	4.2	HQ: China from where it exports to North America, Europe & Asia-Pacific	Tsingtao Since 2018, Tsingtao beers have been distributed in the UK & Ireland by C&C Group
7	Asahi	3.0	Global HQ & origins: Japan Has been expanding assertively since 2016 Strongest markets: Asia-Pacific, Australasia & Europe UK operation: Asahi UK	Leading brands in the UK include Asahi, Grolsch, Peroni, Pilsner Urquell, Fullers, Meantime, Dark Star, plus Cornish Orchard cider Operates Fuller's and Meantime breweries
8	Yanjing	2.1	HQ: China	Brands: Laquan, Huiguan, Yanjing, Xuelu Mostly domestic production
9	BGI/Groupe Castel	2.1	HQ: France A privately owned wine company with	Brands: Flag, Castel Little presence in the UK

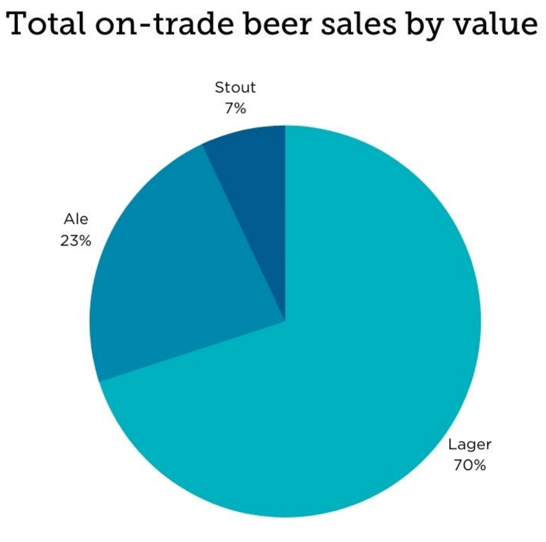
			strong brewing interests in Africa	
10	Efes Beverage Group	1.7	HQ: Turkey Strongest market: Eastern Europe / central Asia	Brands: Pilsner, Afes Draft, Efes Light & Dark Parent company 24% owned by AB InBev
	Total	72.5 %		

Sources: Statista: Consumer Goods & FMG Alcoholic Beverages (2018 data), 2020, The Barth-Hass Report, Bath-Haas Group 2018-19, company websites

<u>The on-trade beer market</u>

Although cask ale is the beer style most associated with the British pub, Chart 1 shows that lager sales dominate the UK on-trade market by value. Since 2019, the acquisition of Greene King by CK Asset Holdings, of Fuller's by Asahi, and the formation of the joint venture Carlsberg Marston's Brewing Company (CMB), mean that British-owned, independent UK brewers have ceded a significant and dominant share of the UK ale market too (Chart 2 and commentary below it).

Chart 1: On-Trade Beer Market Shares

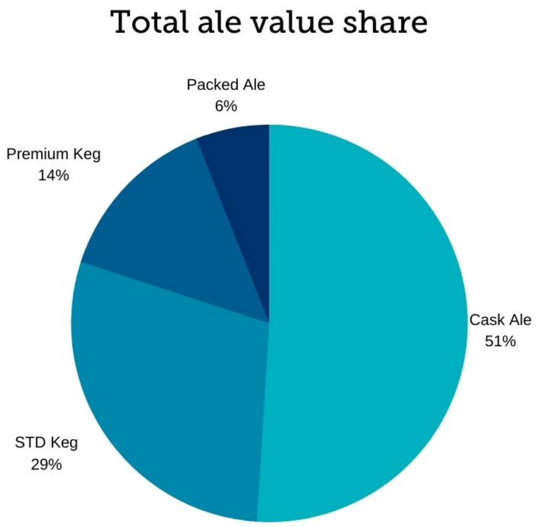


Source: Marston's On-Trade Beer Report 2019/20

Chart 2 shows the total on-trade ale market share by format. Marston's On-Trade Beer Report (2019/20) valued the cask ale market at £1.4bn per annum. According to Marston's (2019/20) cask ales sales have slumped by -8.2%.

Seven of the ten highest selling cask brands are now owned by five of the top ten global brewers, including Sharp's Doom Bar (Molson Coors), Greene King IPA, Fuller's London Pride and Marston's Pedigree. Only two currently independent UK brewers, Timothy Taylor and St Austell, produce beers featured in the list.

Chart 2: Total On-Trade Pub Ale Market Share



Source: Marston's On-Trade Beer Report 2019/20

The UK pub market

Statistics on the exact number of pubs can vary, due to different methodologies and classifications used to determine a pub from other on-trade venues (many of which are still subject to exclusive purchasing and non-compete agreements for the supply of beer).

Data from the ONS (2020) puts the number of UK pubs at just over 39,000.[4]

As can be seen from Table 3, pub companies exert considerable influence and control over the on-trade pub market. Through their managed, tenanted, and leased agreements they heavily influence beer brands, beer prices and the range of beers sold in their managed and tenanted/leased pubs.

Few, if any, allow their tenants, lessees or managers to purchase more than a tiny proportion of their beer from local or independent producers, the standard model being that the pub company offers their operators a set list of wholesale products, often if not usually at a price significantly above the going market rate. Some insist on minimum sales of particular brands. Without exception, these restrictive product lists are dominated by brands owned and/or distributed by the largest producers.

The UK's leading pub companies listed in Table 3 have an approximate 49% share of the UK pub trade.[5] Global brewers have various connections to pub companies, as demonstrated by Table 3. This places them and other leading brewers in a powerful position to assert their dominance in the wider on-trade sector to market their key brands in UK pubs through supply agreements with freehold pubs and other pub companies.

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[4] ONS Economies of Ale: changes in the UK pubs and bars sector, 2001 to 2019

[5] Calculation based on data in the table – information on pubs owned by pub company from various sources and using ONS figures of approximately 39,000 pubs

Table 3: Leading pub companies (non-brewing or regulated through the Pubs Code)

Ranking	Pub Company	Pubs owned	Comments
1	Stonegate Pub Company	4,800	Owned by TDR Capital, which states it is 19% UK funded. Stonegate Pub Company and Ei Group (formerly Enterprise Inns) merged in March 2020. Tenanted and managed sites. Regulated by the Pubs Code in England and Wales.
2	Greene King	3,093	Pub business of Greene King Brewery. A subsidiary of CK Asset Holdings. Majority tenanted leasehold but some other types of agreements. Regulated by the Pubs Code in England and Wales.
2	Star Pubs and Bars	2,750	The leased pub business of Heineken UK. Fined £2 million by the Pubs Code adjudicator in Oct 2020 for forcing tenants to sell “unreasonable levels” of its own alcoholic beverages.[6] Regulated by the Pubs Code in England and Wales.
3	Mitchell & Butlers	1,700	A FTSE 250 company, controlled since March 2020 by a triad of Irish, US and British investors. Includes managed chains such as O’Neill’s, Harvester, Ember Inns, All Bar One, Harvester, Toby Carvery, Nicholson’s, Miller & Carter, Sizzling Inns, Vintage Inns, and several other chains .
4	Marston’s	1,400	Owned by Marston’s and supplied by CMBC – a Joint Venture in which Danish brewer Carlsberg is the majority stakeholder. Mixture of tenanted and other models. Regulated by the Pubs Code in England and Wales.
4	Punch Pubs and Co	1,300	Owned by foreign investors Patron Capital and UK-based May Capital.

[6] This fine is currently being appealed through the High Court.

			Majority tenanted but some managed and retail agreements. Regulated by the Pubs Code in England and Wales.
5	Admiral Taverns	959	Bought in September 2017 by the C&C Group (see Table 2), who distribute for AB InBev in Scotland and Ireland. Currently bidding for Hawthorn Leisure (below). Regulated by the Pubs Code in England and Wales.
6	JD Wetherspoon	880	
7	Wellington Pub Co	750	
8	Hawthorn Leisure	710	Currently owned by New River Retail. Acquired 29 pubs from Marston's in January 2020.
9	Whitbread	420	The group considers itself a specialist hotel and restaurant chain but many of its premises, particularly its Beefeater, Brewers Fayre, Cookhouse & Pub, and Whitbread Inns brands, are technically pubs also. The number given is an estimate only.
10	Trust Inns	350	Privately owned pub leasing company with a few managed houses.
	Total	**19,112**	
	Total non-brewing	**11,870**[7]	
	Total No. of UK Pubs (ONS) (2018)	**39,000**	

Source: CAMRA's elaborations, based on Statista data for 2019, (2020) BBPA Statistical Handbook (2019) and pub company websites.

The pub company sector has been fluid in recent years and can be expected to remain so in the wake of the COVID pandemic. However, the tendency has been towards consolidation.

In recent years the UK's largest pub company, Ei Group PLC (formerly Enterprise Inns), accepted a £3bn takeover offer from competitor Stonegate. AB InBev's stated strategic objective is to expand its operations in the UK pub and beer market.

The number of pubs owned and supplied by independent, UK based brewers is diminishing, and makes up a minority of the tied pub market. These include some of the most historic and iconic cask ale names and brands in UK brewing.

Losses in recent years include the brewing arms of Greene King and Fuller's, which have been acquired by a global asset holdings company and a global brewer respectively and

[7] BBPA Pub Company Statistics (2019) estimate about 14,000 Pub Company Owned pubs in total throughout the UK, which backs up CAMRA's analysis

Marston's (and associated pub brands, including the recent acquisition of nearly the entire Brain's pub estate) are now supplied by CMBC.

Most of the regional brewers' output is likely to sold in their tenanted or managed pubs. Some volume will be sold in free houses, managed and free-of-tie tenanted pubs. However, it is difficult to estimate the proportion of their beer sold in the 'free' sector as there appear to be no figures in the public domain. However, as pointed out above, global brewers' cask ale brands dominate sales in pubs and the wider on-trade market.

Irrespective of the facility for 'free sector' publicans and other on-trade venues to buy beer and other products from an independent supplier, such as a regional or small brewer, pub companies and wholesalers regularly offer substantial discounts on brands that enable them to comply with commitments within their own supply agreements. This can act as a major disincentive to supplying beers and products from regional and local brewers

This enables the pub companies and wholesalers to comply with commitments to the major global brewers contained within their supply agreements and can act as a significant disincentive on free-of-tie publicans and free houses to purchase beer and products from regional and local brewers.

The British Beer and Pub Association places the number of pubs in the UK at over 47,000 (higher than the ONS figures), but provides a split between freehold and managed, leased, or tenanted pubs (Table 4).

Table 4: UK Pub Market – managed, tenanted and leased and independent venues

Managed		Tenanted and leased		Independent	Total
Brewers	Pub companies	Brewers	Pub companies		
3900	5300	6700	8960	22,740	47,600

Source: BBPA Statistical Handbook 2019

This suggests that managed, leased and tenanted pubs make up a 53.33% share of the UK pub market, with 57.36% of those owned by pub owning companies who do not produce the products they then require their pubs to stock.[8]

The BBPA data also defines 22,470 (47.77%) of pubs in the UK as "independent", based on the fact that that they are not owned by brewers or pub companies.[9] This should not however be taken as meaning that they are able to make independent purchasing decisions. Many are supplied through exclusive purchasing and non-compete agreements that fall under the exemptions of the current retained VABER.

<u>The UK small brewing sector</u>

The Society of Independent Brewers (SIBA) represent 825 members throughout the UK. They estimate that their members have a 6.5% share of the UK brewing market[10]

SIBA note in their annual report that small brewer volumes reduced by 0.8% in 2019 and the market for their members ales has experienced a slight downward trend since 2017. This is in stark contrast to the 15.7% growth in on-trade global brewers 'craft beer' brand sales

[8] Calculations using data in Table 5

[9] Ibid

[10] The SIBA British Craft Beer Report 2019

distributed, in the main, via distribution and supply agreements with pubcos[11]. SIBA suggest that the decline in their members' sales is due to consolidation of the small brewer craft sector and increased competitive pressures from global brewers. While this is likely to be a contributory factor, it also reflects the inability of small local brewers to access the national on-trade beer market which is increasingly dominated by global brewers.

According to SIBA, 30% of their members have a brewery tap room which accounts for 14% of sales to local beer consumers. In addition, 37% have a shop and provide online sales direct to local consumers that drink at home and 52% of sales are to freehold pubs[12]. With an overall market share of about 6.5%, and with about 50% of sales to free houses, this represents no more than a 2-3% share of sales in free house pubs. The analysis above suggests that the tied pub sector is effectively foreclosed to small craft beer brewers in a market that is dominated by global brewers promoting their national and international craft ale and beer 'imitator' brands in both the off-trade and on-trade markets. Such 'imitator' brands often create a false impression of consumer choice that does not actually exist.

Exclusive purchasing and non-compete agreements

We reject the statement at Paragraph 2.5 of the consultation document that characterises exclusive purchasing and non-compete agreements (vertical agreements) covered by the retained VABER as 'essentially benign' – in CAMRA's opinion, those relating to the UK beer and pub sector are anything but.

Table 4 shows that more than half of the pubs in the UK are bound by exclusive purchasing and non-compete agreements with their landlords – pub owning companies – whether they are brewers or not. Within the UK beer and pub market these agreements are known as 'the tie', with the most well-known of these agreements being the beer tie.

However, many more types of products and services ties (exclusive purchasing and non-compete agreements) are commonplace in the following areas:

- Alcohol categories other than beer
- Soft drinks and snacks
- Technical services
- Technical services equipment
- Insurance
- Games and prize machines
- Sports and TV packages

Such agreements, when used as widely as they are within the UK pub market, create a complex network effect, which results in market foreclosure and detriment to consumers. Similar agreements, particularly for the supply of beer, are used across the wider UK on-trade – including hotels, bars, and social and sporting clubs.

When used to ensure market access for small and medium sized brewers and applied only to the beer that they produce, the use of exclusive purchasing and non-compete agreements can have merit and have a net positive impact for consumers.

However, large non-brewing pub owning companies have exploited the use of far wider ranging exclusive purchasing and non-compete agreements, applied to both beer and other

[11] Marston's On-Trade Report 2019/20
[12] SIBA British Craft Beer Report 2020

products that they do not produce themselves, to maximise profits and to the detriment of both the tenants that operate their pubs, and to consumers.

This can be done through progressively increasing prices while in the knowledge that they enjoy a considerable degree of protection under the retained VABER – this should not be allowed to continue under the new VABEO.

The Chapter 1 Prohibition

As stated within the consultation document: "The Competition Act 1998 (the Act) prohibits anticompetitive agreements between firms (known as the Chapter I prohibition). However, section 9(1) of the Act provides an individual exemption for agreements which meet certain conditions, and block exemptions from the Chapter I prohibition also exist for specific categories of agreement."

The parallel networks of exclusive purchasing and non-compete agreements in the UK pub market are appreciably restricting competition by:

- Preventing access to a substantial part of the UK pub market to small and medium sized brewers
- Preventing access to a substantial part of the UK pub market to independent technical services suppliers
- Hindering market access for independent suppliers of other goods and services
- Hindering market access for independent wholesalers

Therefore, and considering CAMRA's market analysis above, the use of these agreements in the UK beer and pub industry should be subject to greater scrutiny and fuller application of UK Competition law and removed from the future VABEO and the benefit of 9(1) of the Act.

Market share thresholds and the unique nature of the UK pub market

We note the statement at 2.12 (c) of the consultation documents:

> *The CMA's proposed recommendation to the Secretary of State is that the following provisions regarding the scope of the retained VABER remain unchanged in substance in the UK VABEO:*
>
> > …
> >
> > *(c) Market share thresholds (Articles 3 and 7 of the retained VABER).*

Due to the unique nature of the UK pub market, we do not believe that this approach is suitable if exclusive purchasing and non-compete agreements within the UK beer and pub market continue to benefit from exemptions under the VABEO.

The pub and the concept of a distinct pub market are unique to the UK. The key economic activity in a UK pub is the provision of drink and/or food combined with a unique social experience which is wholly different from other on-trade licensed premises (which are also subject to exclusive purchasing and non-compete agreements for the supply of beer and other services).

UK competition authorities have also previously taken pubs as the appropriate frame of reference against which to assess the competitive effects of mergers – and have required divestment to reduce concerns over competition in local markets.

Despite no single pub company controlling near 30% of the UK pub market, there is still substantial consumer detriment due to:

- The use of the 'fair maintainable trade' principle in assessing rents which is easily misrepresented or abused
- Barriers to market entry for small brewers
- The beer tie and other exclusive purchasing and non-compete agreements which allow tying companies to increase prices above market levels (slightly controlled for pub owning businesses that are regulated under the Pubs Code – but not prohibited), causing consumer detriment.

Therefore, we believe it is necessary, if the CMA does not remove exclusive purchasing and non-compete agreements in the beer and pub sector from the benefits of the VABEO completely, to recognise in guidance accompanying the regulations that clear anti-competitive effects are likely to arise in the beer and pub sector, even where no individual company has a market share above 30%, and to set a new market threshold due to the unique nature of the market sector.

We would recommend in that event that the CMA removes the benefit of the VABEO from any company which owns or controls more than 10-15% of the UK pub market.

Consumer detriment

The use of exclusive purchasing and non-compete agreements within the tenanted and leased UK pub market, and the wider on-trade market, is causing considerable detriment to consumers – about which CAMRA, as a consumer organisation, is extremely concerned.

In our previous super-complaint to the Office of Fair Trading in 2009, the total cost to consumers of above inflation increases in on-trade beer prices between 1990 and 2007 was calculated to be £2.5million annually.[13] The principal reason for those above inflation rises was anti-competitive practices in the tied pub market.

The method of calculation for tied pub rents can provide a powerful disincentive to increasing volume of sales through lower prices. Pub rent calculations can be based on the higher volume a pub sells because of lower prices but impose a gross profit calculation that assumes much higher prices.

Above average price increases in the tied market also causes above average price inflation in the entire on-trade market. Those pub businesses that are free to pay competitive market prices do not face strong and healthy competition within their local markets and so do not have the impetus to keep prices rises to inflationary increases. Again, the result is that the consumer suffers detriment.

Consumers are also denied greater choice through exclusive purchasing and non-compete agreements because smaller and medium sized brewers are denied access to a significant part of the on-trade market.

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[13] CAMRA analysis based on ONS Consumer Price indices reports from May 2009

Therefore, the prevalence and complex network effects of the operation of exclusive purchasing and non-compete agreements operated principally by non-brewing pub companies within the UK beer and pub market artificially inflate the price of beer sold in pubs (and the wider on-trade) through lack of competition, causing detriment to the consumer, restricting access to market for small and medium sized brewers, while licensees subject to these vertical restraints also suffer reduced earnings[14].

Detriment to small brewers

Access to market

As detailed in the market overview above, small brewers have a 6.5% share of the total UK beer market, but only 2-3% of the total freehold pub market, with the tied market effectively foreclosed to them as individual businesses.

They also face a multitude of problems in gaining access to the market in terms of wholesale distributors who supply to managed chains, the wider on-trade, social clubs and other pub company supply schemes. These include:

- Minimum order quantities
- Requirements to deliver to distant depots
- Demands for unrealistic discounts on list prices
- High prices for technical services.

The excessive profits earned through the beer tie contribute to market foreclosure by creating an incentive for large pub companies to maintain high volumes on the products of the global brewers on which they earn the greatest margins.

The absence of a competitive independent drinks wholesale and distribution sector also reinforces market foreclosure to small brewers and restricts competition between brewers.

Planned changes to the Small Brewers' Relief Scheme

The UK Government is currently considering a reduction in the level of support provided to some of the smallest brewers under the Small Brewers' Relief (SBR) Scheme.

CAMRA believes that SBR is vital to a thriving beer market, and to ensuring choice for consumers in the free trade (where the majority of on-trade small brewery beer is sold – due to market foreclosure in the tied and managed pub market, as discussed above).
The scheme has been instrumental in the growth in numbers of independent, UK-based brewers over the last 20 years, and resulting choice in high quality beers of varying styles for consumers – in the outlets which have the freedom to stock them.

SBR was introduced not just to support smaller brewers struggling with economies of scale in production but to alleviate market access issues. As outlined above, the situation has not changed dramatically since, and global brewers have become even more dominant in the UK beer market.

[14] CAMRA commissioned research from CGA Strategy in 2013 that found that 57% of tenants tied to the large pub companies reported earnings below £10,000 a year compared with 25% of free of tie tenants reporting earnings below £10,000.

We are concerned that the Government's rationale for changing the SBR threshold and relief taper relies solely on production costs from a small set of data and does not consider the acute market access issues that small brewers are still facing.

We believe that the Government intends to push ahead with these changes. Therefore, the on-trade beer market could further foreclose to small brewers and make it harder for them to grow in future. This will further compound access to market issues and cause detriment to consumers.

Conclusion – CAMRA recommendations to the CMA

In summary, our key recommendations to the CMA in relation to the new VABEO are:

- That we are broadly supportive of the CMA's recommendation to create a new VABEO to replace the lapsed VABER, as this is an opportunity to create positive changes for consumers
- That the CMA should subject exclusive purchasing and non-compete agreements used in UK beer and pub industry to greater scrutiny and fuller application of UK competition law, and therefore remove them from the benefit of the future VABEO.
- That, if it is not minded to remove vertical agreements in the beer and pub sector from the benefit of the VABEO entirely, we would recommend that the CMA removes the benefit of the VABEO from any company which owns or controls more than 10-15% of the UK pub market.
- Regardless of the outcome of this consultation, that the UK beer and pub market needs to be constantly and closely monitored by the CMA for any changes or developments that require market intervention.