

INTERNATIONAL BROTHERHOOD OF TEAMSTERS

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June 6, 2016

The Honorable Loretta E. Lynch
Attorney General
U.S. Department of Justice
950 Pennsylvania Ave., NW
Washington, D.C. 20535-0001

Dear Attorney General Lynch:

The Department of Justice (DOJ) Antitrust Division is currently reviewing the \$100 billion proposed acquisition in the beer industry that will result in Anheuser Busch-InBev (ABI) acquiring its largest rival SABMiller (SAB) and controlling approximately 30% of the industry worldwide.

In order to address competition concerns in the United States, the parties proposed that SABMiller sell its ownership stake in MillerCoors.

On behalf of the International Brotherhood of Teamsters (IBT), including approximately 15,000 members working in the U.S. beer industry, I urge the DOJ to reject this proposal unless a remedy to the significant anticompetitive effects resulting from MillerCoors' decision to close its Eden, NC brewery is mandated.

The Eden facility is responsible for 12.5% of MillerCoors' production capacity and 4% of all beer production in the United States. The decision to close the facility was announced within just two (2) days of the merger discussions being disclosed to the public, and we believe the timing was no coincidence. Although the brewery is still open and working at near capacity, plans are underway to shutter it in September of 2016.

If this closure is permitted to move forward, it will not only affect good American jobs—roughly 500 at the brewery alone-- but also negatively impact competition in the industry. The impact on consumers, we believe, will become apparent within months after the transactions take place and is likely to persist for years. Reductions in industry capacity of this magnitude translate directly into higher prices for consumers, particularly in an industry that the Antitrust Division itself characterized in 2013 as not behaving competitively. (The analogy to the cable industry should be readily apparent, as the Division used the same language to describe the cable industry at about the same time.)

The problem is magnified as the capacity of the Eden brewery cannot be transferred to other breweries in the MillerCoors system without lowering *their* capacity. Changing

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consumer demand has led to a dramatic increase of the number of beer choices and product configurations, and that has reduced total barrelage at major breweries. Eden produces dozens of products in numerous configurations today—roughly 350 SKUs -- which we do not believe can be absorbed by the remaining MillerCoors' breweries. In other words, closing Eden will not just eliminate production capacity in North Carolina; we believe it will also drive down barrelage output at other MillerCoors breweries.

Particularly damning is evidence, available to the Division, showing that the company decided to close and not sell the brewery because it did not want the facility to end up in the hands of a competitor. In the past, as has been publicly reported, when large breweries slated for closure have been sold to competitors, the result has been good for competition and consumers but bad for the former owner.

Please note that the Teamsters are not alone in our concerns. Pabst products have been successfully reintroduced and marketed to a new generation. MillerCoors does contract brewing for Pabst, on the order of 5 million barrels per year. Within weeks of announcing the Eden closure, MillerCoors allegedly informed Pabst that it no longer had "sufficient capacity" and therefore, would not renew the existing contract. According to a lawsuit filed in March of this year by Pabst, MillerCoors then demanded three times the price if it was to continue to act as a contract brewer. Pabst has alleged that this exorbitant price increase would impair its ability to compete. According to Pabst, this conduct is tied directly to the decision to close the Eden brewery, which is responsible for most of Pabst's contract brewing.

The companies involved, no doubt, would like to see the investigation wrapped up in short order so they can complete their mega-merger. Their desire to expedite cannot take precedence over the need to "get it right" for consumers and working families.

On behalf of the International Brotherhood of Teamsters, I urge the Department to take the time necessary to address the anticompetitive effects created by the Eden brewery closure in order to protect the interests of workers and consumers.

Sincerely,


James P. Hoffa
General President

JP/cz

cc: William J. Baer, Acting Associate Attorney General, Department of Justice