ACQUISITIONS (SOFT DRINKS): THE COCA-COLA CASE

Subject: Acquisitions

Industry: Soft drinks

Parties: Coca-Cola Company
Cadbury Schweppes plc

Source: Commission Statement IP/99/344, dated 25 May 1999

(Note. Coca-Cola has dropped its controversial plan to acquire the soft drinks business of Cadbury Schweppes. The Commission is relieved.)

Mr Van Miert, the Commission member responsible for competition policy, has welcomed the Coca-Cola Company's recent decision to drop its plans to acquire the soft drinks business of Cadbury Schweppes plc in continental Europe. Earlier this month he had warned of the possible anti-competitive effects of the purchase and had asked the companies to notify the acquisition to the Commission. Coca-Cola and Schweppes had just announced a radical restructuring of their purchase agreement. The original agreement, signed last December, provided for Coca-Cola to acquire all of the Schweppes soft drinks business world-wide, with the exception of the US, France and South Africa. Now, the companies have excluded from the deal all European Union (EU) Member States with the exception of the UK, Ireland and Greece.

The original operation was notified in eleven Member States. However, there were strong indications that the transaction might have had a Community dimension, falling within the scope of the EC Merger Regulation. Therefore, the Commission recently launched an investigation on the competitive effects of the transaction under the EC Merger Regulation by sending requests for information to competitors and customers of Coca-Cola and Schweppes throughout Europe. The Commission had also received several complaints about the effects of the deal. As a consequence of the modification of the purchase agreement, the Commission intends to close its investigation of the case if it is confirmed that the remaining transaction does not have a Community dimension. The companies had argued that the Commission did not have jurisdiction over the deal. The Belgian competition authority had already prohibited the acquisition; and other Member States had opened in-depth investigations into the notified agreements. The Commissioner said that he was pleased with the excellent co-operation between his services and the Member States' competition authorities throughout the investigation and that, as to the substance of the case, the companies' decision to drop their initial plans was judicious. □