



Department of Justice

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The Department of Justice today filed a civil antitrust suit challenging the acquisition by G. Heileman Brewing Company, Inc., of LaCrosse, Wisconsin, of Pabst Brewing Company of Milwaukee, Wisconsin, together with a proposed consent decree that would end the suit.

William F. Baxter, Assistant Attorney General in charge of the Antitrust Division, said that the suit and the proposed consent decree were filed simultaneously in U.S. District Court in Wilmington, Delaware, and that the proposed decree will become final upon approval by the court.

The complaint charges that Heileman's acquisition of a controlling interest in Pabst and in the Olympia Brewing Company of Tumwater, Washington, in which Pabst currently has a 49 percent stock interest and Heileman a two percent stock interest, might substantially lessen competition in the beer industry in the United States.

Measured by 1981 shipments, Heileman was the nation's fourth largest brewer, operating breweries in Phoenix, Arizona; Auburndale, Florida; Belleville, Illinois; Evansville, Indiana; Newport, Kentucky; Baltimore, Maryland; Frankenmuth, Michigan; St. Paul, Minnesota; Seattle, Washington; and LaCrosse, Wisconsin.

In 1981 Pabst was the nation's fifth largest brewer, operating breweries in Pabst, Georgia; Newark, New Jersey; Portland, Oregon; and Milwaukee, Wisconsin.

In 1981 Olympia was the nation's eighth largest brewer, operating breweries in St. Paul, Minnesota; San Antonio, Texas; and Tumwater, Washington.

In the nation as a whole, Heileman's 1981 shipments were 13,965,000 barrels, representing 7.6 percent of total industry shipments; and the combined shipments of Pabst and Olympia were 19,165,000 barrels, representing 10.5 percent of total industry shipments.

The combination of Heileman with Pabst and Olympia would increase total seller concentration by 163 points, from 1764 to 1927, as measured by the Herfindahl Index -- an economic measure of market concentration. The acquisition would increase the four-firm concentration ratio of sellers -- another such measure -- by 7.6 percent, from 75.1 percent to 82.7 percent.

Baxter said that the proposed decree permits Heileman to retain only a portion of the total assets of Pabst and Olympia. These retained assets include the Pabst breweries in Pabst, Georgia, and Portland, Oregon; the Olympia brewery in San Antonio, Texas; and the following brands of beer: Red White & Blue, Burgermeister, Blitz-Weinhard, Henry Weinhard Private Reserve, Bohemian, Lone Star, Lone Star Light and Buckhorn ("Texas"). These brands represent total 1981 shipments of approximately 3,000,000 barrels.

Baxter said that the proposed decree prevents Heileman from retaining any interest in, or exercising any control over, the remainder of the Pabst and Olympia assets.

If Heileman and Pabst fail to accomplish the division of assets by March 31, 1983, a trustee will be appointed to complete it.

Baxter said that by limiting Heileman to the retained assets, the proposed consent decree eliminates the acquisition's competitive problems.

He also said that the proposed decree is consistent with the terms of an outstanding tender offer by Heileman for up to 5.5 million shares of Pabst common stock. The tender offer contemplates that, following Heileman's acquisition of a controlling interest in Pabst, a series of corporate transactions would result in the transfer of a portion of the Pabst and Olympia assets to Heileman and of the balance of the Pabst and Olympia assets to a separate entity in which Heileman will have no interest. The assets so to be transferred to Heileman are the same as the assets that Heileman would be permitted to retain under the proposed decree.

In accordance with the Antitrust Procedures and Penalties Act of 1974, a Competitive Impact Statement regarding the decree has been filed with the court. Copies of this statement and of the proposed decree are available on request in the Legal Procedures Unit, Antitrust Division, Room 7416, Department of Justice, Washington, D.C. 20530. They are also available for inspection in the Office of the Clerk of the U.S. District Court in Wilmington, Delaware.

Comments to the Department and to the court regarding the proposed decree are invited from members of the public within the next 60 days. They should be directed to Anthony V. Nanni, Chief, Trial Section, Antitrust Division, Department of Justice, 10th Street & Constitution Ave., N.W., Room 3266, Washington, D.C.

Baxter also said that, in light of the filing of the suit and the proposed consent decree, the Department of Justice has advised Heileman and Pabst that it would consent, under the 1973 consent decree which terminated an earlier antitrust suit by the Justice Department against Heileman, to Heileman's pending tender offer.

That decree enjoins Heileman from acquiring "any brewery brewing and selling beer" in an eight-state area without the approval of the Department of Justice or the court. The eight states are Illinois, Indiana, Iowa, Kentucky, Michigan, Minnesota, Ohio and Wisconsin. Without such approval, Heileman would not be able to proceed with the tender offer because Pabst owns and operates a brewery in Milwaukee, Wisconsin, and Olympia owns and operates a brewery in St. Paul, Minnesota.

A lawsuit by certain Pabst stockholders against Heileman is presently pending in U.S. District Court in Wilmington, Delaware, in which the Heileman tender offer is being challenged on various grounds, including alleged violations of applicable securities and corporate law. Baxter said that the Department is taking no position on the merits of these claims.