

**REFERENCE RELATING TO THE COMPLETED ACQUISITION BY
CINEWORLD GROUP PLC OF CITY SCREEN LTD**

**Notice of possible remedies issued under Rule 11 of the Competition
Commission Rules of Procedure**

Introduction

1. On 30 April 2013, the Office of Fair Trading (OFT) made a reference to the Competition Commission (CC) under section 22 of the Enterprise Act 2002 (the Act) concerning the completed acquisition by Cineworld Group plc (Cineworld) of City Screen Limited, which trades mostly under the name Picturehouse (hereinafter referred to as Picturehouse) (collectively ‘the parties’).
2. In its provisional findings on the reference notified to the parties on 20 August 2013, the CC Inquiry Group (the Group) provisionally concluded that the acquisition had resulted in the creation of a relevant merger situation; and that the creation of that situation may be expected to result in a substantial lessening of competition (SLC) in the markets for cinema exhibition services in the Aberdeen, Bury St Edmunds and Cambridge areas, leading to adverse effects, for example in the form of higher ticket prices than would be the case absent the merger.
3. This Notice sets out the actions that the Group considers might be taken by the CC, including any recommendations it might make for action on the part of others, for the purpose of remedying the SLC and any resulting adverse effects identified in the provisional findings, and invites comments on possible remedies by 5pm on 3 September 2013 (see note (i)).

Possible remedies on which views are sought

4. At this stage the Group considers that an appropriate remedy for the expected SLC might be divestiture of one of the parties’ cinemas in each of the areas identified in paragraph 2. The Group invites views on this possible remedy and in particular on:
 - (a) *The scope of the divestiture package.* The Group invites submissions as to the practicability of divesting the cinemas and whether the identity of the cinema (ie whether it is the Cineworld cinema or the Picturehouse cinema) to be divested is material.
 - (b) *Identification of a suitable purchaser.* The CC will wish to satisfy itself that a prospective purchaser has no significant connection to the parties that may compromise the purchaser’s incentives to compete; has access to appropriate financial resources, expertise and assets; has an appropriate business plan; and creates no competition concerns.
 - (c) *Effective divestiture process.* The CC will consider the appropriate timescale for achieving a divestiture and what procedural safeguards would be needed to minimize the risk associated with this remedy option. For example, the CC invites views on whether it would be appropriate to give the parties an opportunity to divest its preferred cinema in each area first but to retain the option to require divestiture of another cinema in the area in the event that the parties’ preferred cinema could not be sold within a specified period.

5. The Group is not, at this stage, proposing other remedies for discussion as no others appear to be appropriate. However, the Group remains willing to consider any practical alternative remedies to divestiture that the parties or other persons would like to propose which they consider would remedy the SLC identified and/or the adverse effects in each of the areas identified in paragraph 2.
6. At this stage, the Group considers it unlikely that it will recommend that remedial action should be taken by others.

Criteria

7. In choosing appropriate remedial action, the Group will have regard to the need to achieve as comprehensive a solution as is reasonable and practicable to remedy the SLC and any adverse effects resulting from it. When deciding what is an appropriate remedy, the Group will consider the effectiveness of different possible remedies and their associated costs and will have regard to the principle of proportionality. Between two remedies which the Group considers equally effective, it will choose that which imposes the least cost or restriction.¹

Relevant customer benefits

8. The Group will also have regard to the effects of any remedial action on any relevant customer benefits within the meaning of section 30 of the Act arising from the merger situation. Such benefits might comprise lower prices, higher quality or greater choice of goods or services or greater innovation in relation to such goods and services. The Group welcomes views on the nature, scale and likelihood of such benefits.²

Next steps

9. Interested parties are requested to provide any views in writing, including any alternative remedies they wish the Group to consider, by 5pm on 3 September 2013 (see note (i)).
10. A copy of this notice will be posted on the CC's website.

(signed) ALASDAIR SMITH
Group Chairman
20 August 2013

Note:

- (i) This Notice of possible actions to remedy the SLC and any resulting adverse effects is given having regard to the Group's provisional findings notified to the parties on 20 August 2013. The parties have until 10 September 2013 to respond to those provisional findings and comments are also welcomed by that date from other interested parties. In the light of any responses by the parties, or by other interested or affected third parties, the Group's findings may alter, in which case the Group may consider other possible remedies, if appropriate.

¹ *Merger Remedies: Competition Commission Guidelines*, CC8, November 2008, paragraph 1.9.

² *ibid*, paragraph 1.11.