

CINEWORLD/CITY SCREEN MERGER INQUIRY

Summary of hearing with the British Film Institute held on 12 June 2013

Background

1. The British Film Institute (BFI) was the appointed lead agency for film in the UK, which gave it a strategic remit for film production. Its functions included the Lottery Film Fund, which distributed lottery money for film development, film production and the distribution of specialized film in the UK; an archive team, which looked after and restored works; an education team; and a publishing function for magazine and DVD publication.
2. The BFI had an exhibition department, which was based at the BFI Southbank and also housed the London Film Festival and the Lesbian and Gay Film Festival. BFI Southbank was a commercially-operated cinema in London and the site also housed the Mediatheque, a publicly available archive of television and media material and the Reuben library of books and manuscripts related to film and television. It owned the IMAX cinema on the Southbank, the running of which was contracted to the Odeon.
3. The BFI had a distribution arm, distributing works restored by the BFI as well as third-party films. These tended to be specialized, rather than commercial films. The BFI was not a competitive acquirer of rights to new works.
4. As a charity, the BFI also had a fundraising team.

BFI grants

5. The BFI would shortly be launching a fund called The Audience Network to allow community venues to show a broad range of films to their local audience. Through the fund, it would make available small grants for equipment to venues that were not cinemas, for example village halls, town halls and local schools that ran film societies or film clubs. They would be aimed at communities that were otherwise not particularly well served.
6. Another fund to be launched in the near future would be The Film Network which would support networked activity across film centres across the UK—cinemas, smaller venues, festivals—to collaborate to promote film culture.

Cinema exhibition

7. The BFI did not show first-run theatrical releases at its Southbank cinema and the programming process was therefore very different from that of most commercial cinemas. It had an outline cultural plan for festivals, seasons and programmes for several years ahead. There was a team of programmers that discussed programming ideas, producing thematic programming based around a country, a film-maker or another individual or a subject theme. Efforts were made to show a diverse range of old and new material from a number of different countries and continents. Some parts of the programme were planned a long time ahead.
8. The BFI did not normally experience difficulty in obtaining copies of the films it wished to show (if they were in general circulation).

9. The BFI had in the past supplied programming services to other cinemas, but no longer did so. It was aware of more than one organization that provided such services to independent cinemas, including Picturehouse, Curzon and the Independent Cinema Office.
10. There had been a network of regional film theatres that carried the BFI logo that were subsidized. This had not been the case for over ten years.

Revenue and earnings

11. The BFI was reliant on revenue earned as well as the grant-in-aid money it received. It was important that its venue maintained a certain level of capacity, and programming decisions took into account the likely popularity of the films. The bar and restaurant were run by external companies that set the prices themselves.

BFI members

12. BFI had a membership scheme where members paid an annual fee and received a discount on tickets. The membership was very culturally engaged, and by and large was London based. Members were film lovers who would also go to first run screenings at other cinemas. They might be attracted to the BFI by the nature of the experience, but mainly they were attracted by the films.
13. Efforts were being made to enlarge the membership. The previous year's London Film Festival had had a wider range of themes and played across more venues. Some people were attracted to particular programmes, such as African or lesbian and gay films.

Developments in the industry

14. The BFI had committed to digitizing 10,000 works (including short works and television material as well as feature films) and making them available for public consumption, either online or in cinemas. The BFI was developing the 'BFIPlayer', where it would be able to make these digitized works available, and possibly some third-party works as well.
15. The BFI believed that there was now no full-time cinema that did not have digital equipment or was in the process obtaining digital equipment.

Competition with the merger parties and others

16. The BFI said that it had a unique programme, so did not see itself as competing directly with other cinemas. Its audience did, however, use other independent venues playing specialist films, such as Curzon and Picturehouse, as well as other cinemas in the West End that played those films, including Cineworld and Odeon. Odeon offered a broader range of films in some of its locations.
17. The BFI offered a definition of specialized films, and it was possible to identify many films as obviously specialized, for example because they were in foreign languages, black and white or were documentaries. However, there was a range of films that were not inaccessible or challenging but which appealed to a specific demographic. The BFI's aim was to encourage the availability of a broad range of films.

18. There was an argument that independent venues that catered for a certain audience were distinctive, even if their programme was not exclusively art house or specialized. It was important to look at the environment and the offering as well as the programme in order to understand how cinemas competed.

Market entry

19. The BFI had no plans to open any new cinemas. Few new independent cinemas had opened in recent times, although there had been restorations and refurbishments, and some openings with luxury offerings.
20. The initial barriers included the cost of the equipment. Income was rising in cinemas because of higher ticket prices, but the number of admissions had been fairly static. Access to capital had been difficult in recent times.
21. Multiplexes seemed to locate to maximize the size of audience within a specific drive-time, and often occupied the same areas as each other. The UK was regarded as being 'well screened'. However, some parts of the country remained without a specialized film offering, which was the reason for BFI's grant schemes.
22. Most cinema operators were dependent on private investment. Some local authorities offered limited support. Europa Cinemas, a pan-European organization to support the exhibition of European films, provided support to cinemas that showed a certain proportion of non-native European films.

Impact of the merger

23. In respect of distribution the BFI did not expect to see a great difference following the merger. It expected Picturehouse to continue to book its films where appropriate. It also did not expect to see a great effect on its Southbank venue as there was limited overlap in the films on offer there.
24. The BFI did not expect there to be a reduction in the specialized film offering in the UK, assuming that Picturehouse held to its programming strategy. Picturehouse had quite a commercial programme, more so in some sites than others. What it did differently was appeal to a more discerning group of upmarket, older viewers. It was also attractive to distributors that wanted to preview films or stage Q&A sessions with directors.
25. Cineworld had for a long time been one of the more expansive circuits in terms of programming beyond the mainstream product, which appeared to be a legacy of the acquisition of UGC and its membership model. The merger did not seem an entirely unhappy marriage in that regard.
26. The BFI was generally supportive of the merger. The fact that a significant commercial chain had seen the value of investing in Picturehouse and its audience was a good thing. Conversely, there was an argument that occupancy levels were sometimes low in offpeak times. BFI could envisage a scenario whereby Cineworld were to rebrand some of its multiplexes as Picturehouses and cater for that older audience that was able to attend during the day.