

From: Mark Liversidge  
Sent: 03 September 2013 16:29  
To: CineworldCityScreen  
Subject: Regarding the findings on the purchase of City Screen Limited by Cineworld Group plc

Dear all,

I am writing on behalf of a group of cinema enthusiasts living in the Cambridge and Bury St. Edmunds areas. We wish to express our concern that the remedies proposed by the Commission are likely to reduce consumer choice in relation to the exhibition of cinema films in Cambridge and Bury St. Edmunds and in relation to the range of services available to cinema goers in these areas.

As we read the Commission's report, the Commission has found that the acquisition of Picturehouse would result in a significant lessening of competition, which in turn would give Cineworld the ability to increase prices in three specified areas. The Commission proposes that the remedy for this would be to require Cineworld to dispose of one cinema in each of the affected areas. The rationale for this is presumably that the competition offered by the new owner of the relevant cinema would restrain Cineworld's ability to increase prices. We are not convinced that the presence of a nearby competing cinema does serve to restrain prices or, conversely, that the absence of such a cinema gives a cinema owner the ability to increase prices significantly. However, that is not the main aspect of our concern in this case. Our main concern is that if the Picturehouses in Cambridge and Bury St. Edmunds were to be sold to another owner, that new owner might well alter the operating model of Picturehouses, focusing on showing mainstream films and/or ceasing to provide other facilities that now distinguish Picturehouse from Cineworld and other mainstream cinema operators.

Cineworld has stated publicly that its objective in acquiring Picturehouse is to broaden its range of services by exhibiting a wider range of films and by offering the kinds of ancillary services that Picturehouse now offers and Cineworld does not. Over a ten day period which we believe to be representative of the typical programming, the Cineworld in Cambridge showed 22 films, compared to 21 shown at the Picturehouse. Only two of these films overlapped. This amounts to a total of 41 different films being screened in this period. It is difficult to imagine that two competing mainstream cinema operators would screen the same number of films. Two of the non-overlapping films in this period were screened by Picturehouse exclusively for parents with babies and seven for over 60s, neither of which were offered by Cineworld. These are examples of Picturehouse's community portfolio, which also includes student clubs and autism friendly screenings. It is this diversity which we fear is most at risk.

We have no reason to doubt Cineworld's statement or to think that Picturehouse cinemas in Cambridge and elsewhere would be forced to significantly change their business model if they were to be taken over by someone other than Cineworld. Picturehouse is unique in its business model for any chain of cinemas, and the only comparable operations are run as independents in areas such as Manchester, Sheffield and Bristol. This is also reflected in the programming of other competitors operating in this sector of the market, such as Curzon (at its Knutsford location) and Everyman (in its Hampshire and Leeds cinemas), who do not have this extensive range of programming in their provincial cinemas.

In that light, it seems to us perverse to insist that Cineworld should dispose of a cinema in Cambridge or Bury St. Edmunds. Cineworld would almost certainly dispose of the Picturehouse as the overall revenue from the higher number of screens in each case give the Cineworld multiplexes a much higher turnover and, presumably, profit. There is no guarantee that a new owner would maintain the current approach to film programming or that it would continue to offer the ancillary services that Picturehouse now offers. It is much more likely that the new owner would instead concentrate on more popular mainstream

films. Indeed, the Commission's own reasoning demands that this should happen: that the new owner of Picturehouse should compete directly with Cineworld (and Vue in Cambridge). Otherwise there would be no competition on price. Cinema goers do not say, "I want to see any film; which is the cheapest local cinema?". They are more likely say, "I want to see this film; is it showing at my preferred cinema, and if there are two cinemas which I would be willing to attend, which is the cheaper?"

If the new owner were to focus on mainstream programming, as we submit it would, the result would be that Cambridge would have three cinemas competing solely on price, showing very similar ranges of films and offering similar, limited ancillary services and facilities. Cambridge would lose its only cinema showing a wide range of non-mainstream films; people living in this internationally famous city of learning and culture would have no access to the artistic, multi-cultural and multi-lingual films that Picturehouse now exhibits. In our view, the damage that this would cause would greatly outweigh any benefit that might be gained by opening the market for mainstream films to competition.

We propose four alternative courses of action.

1. that Cineworld should not be required to dispose of a cinema in Cambridge (or in Bury St Edmunds or Aberdeen); or
2. that if disposal were to be required, in Cambridge Cineworld should be required to dispose of its current multiplex cinema and to undertake to maintain the current business model of Picturehouse, including in particular the range of films exhibited
3. that if disposal were to be required and Cineworld were to be given the choice of which cinema in Cambridge to sell, any purchaser should be obliged to undertake to maintain the current business model of Picturehouse, including in particular the range of films exhibited; or
4. that the acquisition should be blocked and that Cineworld and Picturehouse should continue to operate alongside one another as they now do.

We recognise that some of these proposals might give rise to practical or enforcement problems, but we would expect that with a pragmatic approach and flexibility between the parties a workable and enforceable solution could be achieved, and we would be happy to be involved in any constructive manner in arriving at such a solution.

I also reviewed the initial findings, based on my own understanding of the sector and my extensive experience as a customer of both the two chains in question and all of their potential competitors. The points that I was keen to gain a greater understanding of were:

1. Was there no requirement to set a suitable threshold for competition in a given area? The areas concerned seem to have a luxury of competition compared to geographical areas of similar size and population density, and this decision is simply regressing them to the same level as their competitors.

2. Why, when the OFT's initial report (published in June) indicated that multiplex and art house cinemas operate in different markets, have these cinemas been deemed to be in sufficient levels of competition such that a substantial lessening of competition will arise?

3. Why is it believed that introducing another party to these areas will have the effect of reducing prices or maintaining them at their current levels?

4. Why were membership schemes excluded from the final calculation as these not only create a customer loyalty to particular cinemas, but in the case of these two cinema serve to insulate their customers from price increases both locally and nationally and could act directly to negate the impact of the creation of an SLC?

5. Is there any evidence of any other part of the country where competition alone is successful in influencing prices? On inspection, the prices seem to be set at a level more related to the general cost of living than the factors used in the correlation in the report, and comparisons with local areas with both more competition and no competition do not suggest

any evidence of a strong effect of competition on prices in this sector. The subsequent fear is that any competitor purchasing either of the cinemas will not be able to be restricted from raising prices from current levels, and I would be keen to understand the Commission's powers to influence in this regard.)

6. Given that any competing chains in both the multiplex and art house sectors are currently charging similar prices for single price tickets and less discounts to members, what controls is the Commission able to put in place to prevent a change of ownership relating in a direct increase in prices for some or all customers, which would appear to be highly likely on the available evidence?

My initial research can be found here:

<http://movieevangelist.wordpress.com/2013/08/21/the-cineworld-picturehouse-competition-commission-decision-my-interim-findings/>

The petition I have started to show support for the Picturehouse chain, which we believe more likely to be at risk due to its lower turnover and lower screen capacity, can be found here.

<http://bit.ly/SaveOurPHs>

I look forward to hearing from you in due course.

Yours sincerely,  
Mark Liversidge

**From:** Mark Liversidge  
**Sent:** 10 September 2013 16:46  
**To:** CineworldCityScreen;  
**Subject:** Cineworld merger - summary of final position

Dear Commission members,

As you prepare to compile your final report, I just wanted to summarise what I believe to be my current position, as there has been a lot of correspondence since the initial findings were published and a number of other individuals have quoted my initial research in their correspondence.

It is my belief, reinforced by discussions with both interested and independent parties, that the only suggested remedy so will inevitably cause significant damage and will not satisfy the original intent of the remedy. If required to sell a cinema in the affected areas, the consequences will be:

- If Cineworld sells a Picturehouse, as would seem more likely based on turnover and overall profitability, then the potential consequences will be disastrous. There is no realistic possibility of price reductions, a likely price increase for the majority of customers who are also members, a significant reduction in choice of product, a high risk to the ancillary services offered and a threat to the wide variety of cultural events and organisations who depend on the local infrastructure of the Picturehouses, most particularly in Cambridge on the last point. I attach again for reference links to my two articles on this subject.

<http://movieevangelist.wordpress.com/2013/08/21/the-cineworld-picturehouse-competition-commission-decision-my-interim-findings/>  
<http://movieevangelist.wordpress.com/2013/08/22/the-cineworld-picturehouse-competition-commission-brief-thoughts-on-the-full-report/>

I have also attached the comments from the petition I started to show public support for the offerings of the Picturehouse, which has now reached over 11,100 signatures, predominantly from current or former residents of the city, but also encompassing a wider support on social media including Cambridge MP Julian Huppert, Cambridge City Council and some of its members, high profile names in the industry including - but not limited to - Mark Cousins, Peter Bradshaw, Neil Brand, Karen Krizanovich, Nigel Floyd and publications including Exit Magazine and Sight And Sound magazine, the publication of the BFI.

- If Cineworld instead sells a Cineworld, there is also a loss to consumers as the value of membership schemes reduces prices for both tickets and concessions, and many Cineworld patrons use their memberships to sample films they would not otherwise have been able to experience due to the significant cost advantages their memberships present. I have also documented a more detailed position on this aspect.

<http://movieevangelist.wordpress.com/2013/09/09/competition-commission-why-we-cant-afford-to-lose-cineworld-either/>

I would still welcome the opportunity to discuss this with the Commission in more detail before the final report is published. My stance remains that I am not looking to protect the commercial interests of a private company, more that the two companies in question have established a market leading position in terms of price, choice and facilities, and any remedy must take into account how to preserve these elements in the interests of consumers. If the most logical solution is to allow the cinemas to remain under current ownership and for other restrictions to be placed on them to protect consumers, that would

seem most likely to protect what I have outlined as being at risk. My previous correspondence of September 3rd outlined my thoughts on possible alternative remedies.

I am also writing again because of a concern raised by comments attributed to yourselves in the Cambridge News on Tuesday September 3rd. These comments were:

*“We’ve also indicated that Cineworld would have the choice of selling either of the cinemas it owns in Cambridge. We are definitely not contemplating Picturehouse closing even for a short period. It’s worth noting that when Picturehouse was sold to new owners last year not only was there no interruption of service but they chose to maintain what is clearly a popular offering, so there’s every likelihood another new owner would choose to do the same.”*

This would appear to misunderstand the difference between last year's merger, where the cinemas were transferred as part of a wider concern, and the likelihood of having to transfer ownership of single cinemas to either a different ownership or into independent hands. It is that transfer which I and many others firmly believe could jeopardise the elements on offer which we hold most dear. It is also a statement which, once again, underlines the differentiation of the Picturehouse model, a differentiation which has been discounted in the original analysis.

I am now in your hands, and await your response. Please do not hesitate to contact me if there is any further support I can offer in reaching a decision.

Yours sincerely,  
Mark Liversidge