

REFERENCE RELATING TO THE COMPLETED ACQUISITION BY VUE ENTERTAINMENT HOLDINGS (UK) LIMITED OF A3 CINEMA LIMITED

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

Introduction

1. On 23 September 2005, the Office of Fair Trading (OFT) referred to the Competition Commission (CC) for investigation and report under section 22(1) of the Enterprise Act 2002 (the Act) the completed acquisition by Vue Entertainment Holdings (UK) Limited (Vue) of A3 Cinema Limited (A3).
2. In its provisional findings on the reference notified to Vue on 16 December 2005, the CC inquiry group (the Group) 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 market for cinema exhibition services in Basingstoke.
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 (see note (i)).

Possible remedies on which views are sought

4. The Group invites views on the divestiture of one of Vue's two cinemas in Basingstoke as an appropriate remedy for the expected SLC. It is envisaged that divestiture would involve the following elements:
 - (a) the cinema to be divested will be one of the two cinemas owned by Vue in Basingstoke and the Group invites submissions as to the practicability of divesting the cinemas and whether the identity of the cinema to be divested is material;
 - (b) the cinema will be divested to a suitable purchaser that is independent of Vue and has the resources, expertise and incentive to maintain and develop the divested cinema as a viable and active competitor to the cinemas in the relevant local market, and would not be likely to recreate the expected adverse effects as a result of the divestiture; and
 - (c) the CC will specify a period within which divestiture must occur (the initial divestiture period) and will consider using a divestiture trustee to effect the divestment should it not have been effected by the end of that 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 Vue or other persons would like to propose which they consider would remedy the SLC identified and/or the adverse effects.

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 substantial lessening of competition 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.

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.

Next steps

9. Vue is requested to provide any views in writing, including any alternative remedies it wishes the Group to consider, by 16 January 2006 (see note (i)).
10. A copy of this notice will be posted on the CC's web site. Other interested parties are requested to provide any views in writing, including any alternative remedies they wish the Group to consider, by 16 January 2006 (see notes (i) and (ii)).

Dame Barbara Mills

Group Chairman

20 December 2005

Notes

- (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 Vue on 16 December 2005. Vue has until 16 January 2006 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 Vue, 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.

- (ii) As noted in the 'Vue/Ster inquiry' Administrative Timetable published on the CC's web site, the final deadline for all parties' submissions and responses is w/c 26 January 2006.