

**HAMSARD 2786 LTD/ACADEMY MUSIC HOLDINGS LTD
MERGER INQUIRY**

Statement of issues

The reference

1. Our terms of reference require us to consider the anticipated acquisition of a controlling interest in Academy Music Holdings Limited (Academy) by Hamsard 2786 Limited (a company jointly controlled by Live Nation (Music) UK Limited and Gaiety Investments Limited). The inquiry group (the Group) is required to determine:
 - (a) whether arrangements are in progress or in contemplation which, if carried into effect, will result in the creation of a relevant merger situation; and
 - (b) if so, whether the creation of that situation may be expected to result in a substantial lessening of competition within any market or markets in the UK for goods or services.
2. The issues that the Group are considering are as follows.

Market definition

Venues

3. The appropriate definition of the economic markets affected by the merger (the 'relevant markets'), and in particular:
 - (a) whether venues available for live music performances form a single product market or constitute separate product markets depending on:
 - whether they are indoor or outdoor venues;
 - their size (maximum seating and/or standing capacity);
 - their layout, ambience or other characteristics; and
 - the genre of music usually played;
 - (b) the geographic extent of the relevant product market(s) and, in particular:
 - whether venues outside Greater London are in the same geographic market as venues within Greater London;
 - whether venues within central London are in the same geographic market as venues in other parts of inner or outer London; and
 - to what extent venues in cities or wider geographic areas outside London form separate geographic markets, and if so the areas covered by each.

Promotion services

4. Whether the promotion of live music in the UK constitutes a relevant market, is made up of a series of narrower markets dependent upon the genre of music being promoted or the region within the UK in which the promotion occurs, or is part of a wider market including provision of agency services to artists and/or promotion of other types of event.

Counterfactual

5. The situation that would be expected to prevail in the absence of the merger, and in particular:
 - (a) whether Academy would be likely to remain independent and if so, what strategy an independent Academy might be expected to follow; or
 - (b) whether a controlling interest in Academy would be likely to be acquired by an alternative purchaser, and if so the likely future strategy of such an alternative purchaser.

Assessment of the competitive effects of the merger

Underlying factors

6. The competitive conditions in the relevant market(s), and in particular:
 - (a) the respective roles of artists, their managers and agents, promoters and venue operators in the staging of live music events and the contractual and other relationships between them, including any longer term cooperative arrangements or understandings;
 - (b) factors that affect artists'/managers'/agents' choice of promoter;
 - (c) the number, characteristics and availability of venues for live music performances in areas of geographic overlap between the merging parties;
 - (d) considerations that influence which venues are played by which acts and options available to agents and promoters when organizing events/tours in the light of these;
 - (e) whether, and to what extent, venue operators have knowledge of the acts that will be performing when venue bookings are made;
 - (f) whether, and to what extent, there are advantages of scale to venue operators from running multiple venues;
 - (g) factors that affect prices at which venues are rented, including uniformity and transparency of these to artists, agents and promoters, and dependence, if any, of rental prices at one venue on usage of others;
 - (h) how ticket prices for live music events (both price printed on the ticket and booking/transaction fees) and payments to artists, managers, agents, venue operators and ticket agencies are determined,

- (i) the significance and division of non-ticket revenues arising from bar sales, sponsorship, merchandising, etc;
- (j) the extent of competition between the merging parties prior to the merger, both in the provision of venues and in promotion of live music events;
- (k) to what extent venues owned or operated by the merging parties face actual or potential competition from other venues;
- (l) to what extent the merging parties face actual or potential competition from other promoters/agents;
- (m) to what extent competition in the relevant market(s) is affected by co-promotions and/or cross-shareholdings;
- (n) the availability of preferential venue rental to, or other advantages of, 'in-house' promoters, and the availability of, or potential for, packages combining venues, promotion and other services to artists;
- (o) the extent and role of agreements, if any, that restrict the ability of artists playing at one venue or event to play at other venues or events;
- (p) the impact of agreements with ticket agents on ticket prices (both price printed on the ticket and booking/transaction fees) and/or on competition between venue operators and/or between promoters;
- (q) the extent of any buyer power in the relevant market(s) and whether there are identifiable groups of customers for venues or customers for promotion services whose bargaining position may be relatively weak; and
- (r) whether there are significant barriers to entry or expansion in the relevant market(s) and the likelihood of future entry or expansion.

Competitive effects

7. Against this background, the possible competitive effects of the merger within each of the relevant market(s) to be identified and, in particular:
 - (a) whether the merger may be expected to create or increase market power in any relevant market leading to:
 - reduction in the availability of venues; and/or
 - higher venue rental prices, and/or prices for tickets to events (price printed on the ticket and/or booking fees/transaction charges), and/or prices for drinks or other items sold at events; and/or
 - reduction in service in terms of venue offering for some or all customers; and/or
 - reduction in innovation in provision of venues;
 - (b) whether the merger may be expected to create or increase market power in any relevant market leading to higher prices and/or reduced service quality for some or all customers of promotion/agency services and/or reduced innovation in promotion/agency services;

- (c) whether the merger may be expected to foreclose rival promoters by raising the costs of venue rental to them, and/or limiting access to certain key venues, and/or conferring advantages on the merging parties' own promotion businesses;
- (d) whether the merger may be expected to restrict access to certain venues to artists that perform in festivals promoted by the merging parties or at other venues owned by the merging parties, or tie the rental of one venue to the rental of other venues;
- (e) whether the merger is likely to increase the likelihood of coordination between suppliers in the relevant market(s) so as to lead to a rise in prices, or a reduction in service, or a reduction in innovation (coordinated effects);
- (f) whether there are any efficiencies that could be expected to arise from the merger that would lead to benefits to customers in any relevant market;
- (g) whether, in any of the relevant market(s), any possible lessening of competition might be offset by buyer power; and
- (h) whether, taking account of all of the above, the proposed merger may be expected to result in a substantial lessening of competition within any market or markets in the UK or a part of the UK.

Possible remedies

- 8. Should the Group conclude that the anticipated merger may be expected to result in a substantial lessening of competition, it will consider whether and, if so, what remedies might be appropriate, and will issue a further statement at a later date.
- 9. In any consideration of possible remedies the Group will consider whether any relevant customer benefits might be expected to arise as a result of the merger and, if so, what these benefits are likely to be and which customers would benefit. Customer benefits are benefits to customers at any point in the value chain and are not limited to benefits to end-consumers.