

Bristol Ticket Shop - Response to notice of provisional findings and notice of possible remedies

Dear Sirs,

VIEWPOINT

While I applaud the opposition to the merger, the reasoning: i.e. that it prevents entry into the market of another Global giant is beyond belief.

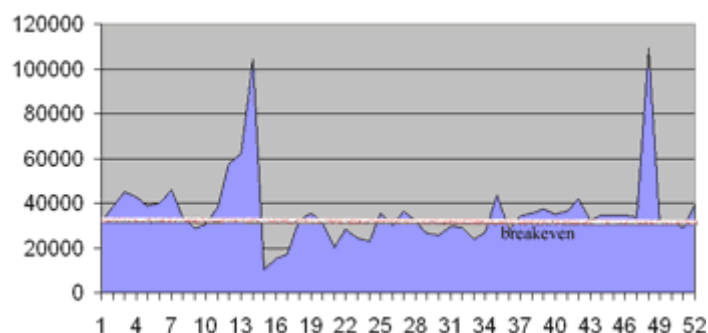
CTS's entry would reduce the amount of tickets available to regional sellers - The 'fans' want good service from a responsive company.

I'm appalled at the lack of consideration given in these findings to the many UK companies currently involved in ticketing who may be forced into liquidation by either a merger between LN and TM or an exclusive agreement between LN and CTS. Either of these giants will reduce supply to established UK outlets and therefore choice and competition. If CTS's stated aim is to become the largest or second largest agent in every market it enters then it's initial aim will be to take trade away from one of the two current market leaders. I don't think they will target TM.

Loss of LN supply would most definitely affect the smaller agents. Live Nation uses regional outlets for regional events and Venues independently supply a lot of LN tickets to regional outlets.

To understand why such a small downturn would have such a devastating effect you have to understand the sales pattern. In the same way that normal retailers rely on Christmas for up to 40% of their annual trade, we rely on being supplied with those big 'guaranteed to sell out in hours' events.

As you can see from the following, losing the event that peaks our trade during week 10 to week 15 would be a disaster. The week 48 peak is V Festival (any idea that the smaller agents cannot handle the sales is rebutted by the knowledge that those V Festivals sales took place during 2 hours on one day) (Dozens of agents failed after the sale of Glastonbury tickets was made exclusive to See Tickets)



However, we concluded that it was unlikely that the merged company would have both the ability and incentive to harm them significantly, either by (1) Live Nation restricting the availability of its tickets to other agents or by (2) Ticketmaster refusing to sell tickets for other promoters and venues.

(1) Of course LN/TM would restrict availability of its tickets to other agents. There are a finite number of tickets available. For a lot of events there are more buyers than

tickets so in order for TM to increase its market percentage it must restrict access to other agents.

With the utmost respect, to say there is no incentive to restrict availability of tickets to other agents is to suggest that TM have no interest in growth. TM does not promote events. There would be no reduction in the number of tickets sold if Ticketmaster did not exist. There is no scope for increased production from agents - Agents do not 'produce' anything.

Neither is there any scope for price competition. Ticket Agents don't decide the fees. They work on a < 10% margin. I believe that is already lower than any retail trade so where is a reduction to come from? The margin is so small that agents are forced to maximise sales against cost. The inevitable end result is a loss in the quality of service.

In particular TM has bargained for exclusives on those events guaranteed to sell out within a few hours. Until now, See Tickets at least, has managed to keep a foothold on these but even if TM were forced to allocate to CTS, what is to stop them from working together to wipe out the competition? (starting with See Tickets).

In the 80s there were hundreds of ticket agents. Most disappeared during the 90s as WayAhead (now See) and TM competed for the market lead. In the past five or six years, there has been a re-emergence of new Ticket Agents. They're small, and like us, they don't have access to the range of tickets offered by See and TM. What they are doing is re-introducing good customer service and where customers can choose this, they will.

Admittedly LN is not the only UK promoter but other promoters are threatened by its growth.

(2) ***Ticketmaster refusing to sell tickets for other promoters and venues*** - Why would they? They will seek to gain control of all the UK market. If they refuse to sell for other promoters, they strengthen the competition.

It is the presence of multiple small agents (and See) who preserve the competition element that currently exists.

I should explain that more fully. It is the Promoters who create the events and police the pricing and conditions of sale. They employ the Agent, who is merely an intermediary between the Principal and the Third party (or customer). The profit margin is fixed by the Promoter. The agent has no choice. He must sell at that fee or lose supply. The very real danger of an all powerful agent is that the first move they will make is to increase prices.

The relationship demands that the Principal dictates the terms and conditions because the contract is formed between the Principal and the Customer.

If, through a monopoly, the balance of power shifts to the agent, prices will increase and consumers will suffer. To preserve the status quo, it is vital that the Principal has the option of using other agents.

In a finite market, the Government must look to the root of the problem. It is the SLC for promoters that will lead to SLC for consumers. Ergo: It is the presence of multiple agents that will preserve the competition element that currently exists.

REMEDIES

There is a hint of sanity in the idea of proportionate allocation but you need to go beyond the two agents mentioned to avoid SLC. I.e. if you allow the merger between LN and TM, TM must be prepared to re-allocate.

As a suggestion: Divest 50% of its tickets but NOT to one company (and not to any company related in any way to TM) They must invite requests for allocation from primary agents across the country and allocate proportionately to the requests with no one agent receiving more than 30% of the total number of tickets.

This is not hard to put into practice. It has been common practise for years until Agents started bartering for exclusives.

Obviously, where submissions do not total 100%, TM will be free to sell tickets from the holding pool.

At the point TM sells out, it will be free to request returns or a commitment to payment on the balance (again standard procedure)

Two points here:

- 1) TM may, if they wish supply terminals to agents but must not force agents to use any system for which they have to pay.
- 2) TM may charge a distribution fee - Not to exceed 2% of the gross ticket value - see further remedies below.

The eligibility of agents may be an issue: I would suggest eligibility needs to be in the hands of LN rather than TM.

The contract will cap the booking fees at 10% of cost (or other agreed fee) and the public will be encouraged to complain at anyone charging more. This will leave LN free to advertise the maximum retail price inc. booking fee. Much needed clarity on pricing!

TM will argue that this puts them at a disadvantage over See Tickets. See have exclusive rights over The Glastonbury Festival and preferential arrangements with Metropolis and SJM. However, Glastonbury comes under events of national significance and historically, both SJM and Metropolis have fully utilised the network of regional agents. They do not threaten competition.

FURTHER REMEDIES ref KICKBACKS

TM has hastened its control of the UK market by offering kickbacks to the promoters.

Promoters take kickbacks because these are not assessed as event income and therefore not apportioned to the artist.

It has to be assumed that CTS will use kickbacks to buy its way into the UK market.

Kickbacks are often referred to as distribution fees even where the agent has supplied the tickets.

SOLUTION

Tickets supplied by promoter:

The cost to the agent must be clear on all tickets. (i.e. including any per ticket fee paid to the promoter)

'Distribution Fees' are limited to the cost of dispatching the tickets. (ticket printing is a deductible cost anyway and should not be recharged)

I believe kickbacks would disappear with these remedies. Agents only agree to them because they have no choice. As a 'distribution fee' it would fall foul of the UTCC as it can be up to £2 per ticket but any agent that challenged this would lose supply. From the customers point of view they are being misled into believing this is part of the booking fee. Agents are being discredited because they are forced to charge the customer more.

Tickets supplied by independent distributor

The charge would be decided by the promoter* but any charge that is over 2% of the face value is to be included in the ticket cost shown on ticket**. (as above)

To put this in perspective, distributors are unlikely to be used for the smaller events but a £35 ticket for Wembley stadium would net the distributor £49,000 before tax.

* An Agent is not a reseller. He does not 'take title' to the tickets and is not free to decide the fees or the terms of sale.

**This should circumvent kickbacks to the promoter from the distributors

SECONDARY AGENTS

[✂]

Kindest Regards
Zoe Poster
T/A
Bristol Ticket Shop

*One of the expectations placed on Primary Agents by the Principal is that they will undertake to prevent secondary sellers from getting access to tickets. There is a major conflict of interest in a primary agent owning or operating a secondary selling company.