

Competition between venues in London

1. In this appendix we assess competition in London between the parties' venues and with third party venues.

Venues operated by the parties in London

2. Table 1 sets out Academy, Live Nation and Hamsard venues in London. Gaiety does not operate any venues in London. Table 1 lists the capacity of each venue and shows which venues the parties and third parties stated are competing with each of the parties' venues.

TABLE 1 Venues operated by the parties in London

<i>Venue and location (venue operator)</i>	<i>Capacity</i>	<i>Venues ranked as competing by parties with their venues (and capacity of the competing venue)</i>	<i>Venues stated as competing by third parties (in no particular order)*</i>
Wembley Arena† (Hamsard)	4,000 shorthall 12,750 standing	1) O2 Dome (8,000+)‡ 2) Alexandra Palace (8,250) 3) Earls Court (17,500) 4) Royal Albert Hall (5,222) 5) Hammersmith Apollo (5,039)	Hammersmith Apollo, Royal Albert Hall, Alexandra Palace, Brixton Academy, Earls Court
Hammersmith Apollo (Live Nation)	5,039	1) Royal Albert Hall (5,222) 2) Brixton (4,921) 3) O2 Dome (8,000+) 4) Wembley Arena shorthall (4,000+) Also listed: Roundhouse (3,000); Coronet (2,200); Hammersmith Palais (2,230); Ocean Hackney (2,700); KoKo (1,500); La Scala (1,145); Electric Ballroom (1,100); Alexandra Palace (8,250)	Royal Albert Hall, Brixton Academy, Alexandra Palace, Wembley Arena, Royal Festival Hall, SBE, Dominion, Forum
Brixton Academy (Academy)	4,921	1) Wembley Arena shorthall (4,000+) 2) Alexandra Palace (8,250) 3) Roundhouse (3,000) 4) Hammersmith Apollo (5,039) 5) Royal Albert Hall (5,222)	Hammersmith Apollo, SBE, Royal Albert Hall, Alexandra Palace, Wembley Arena, Astoria, Forum, Hammersmith Palais, Islington Academy
Shepherds Bush Empire (SBE) (Academy)	2,000	1) KoKo (1,500) 2) Forum (2,110) 3) Barbican (1,949) 4) Astoria (2,000) 5) Hammersmith Palais (2,230)	Astoria, Forum, Hammersmith Apollo, Hammersmith Palais, London Palladium, Roundhouse, Royal Albert Hall, Royal Festival Hall

Venue (venue operator)	Capacity	Venues ranked as competing by parties with their venues (and capacity of the competing venue)	Venues stated as competing by third parties (in no particular order)
Astoria, West End (Hamsard)	2,000	1) Forum (2,110) 2) SBE (2,000) 3) Hammersmith Palais (2,230) 4) Roundhouse (3,000) 5) Coronet (2,200) Also listed: Ocean Hackney (2,700); KoKo (1,500); La Scala (1,145); Electric Ballroom (1,100); Brixton Academy (4,921)	SBE, Forum, Hammersmith Palais, Coronet, Roundhouse
Forum, Kentish Town (Hamsard)	2,110	1) Astoria (2,000) 2) SBE (2,000) 3) Hammersmith Palais (2,230) 4) Roundhouse (3,000) 5) Coronet (2,200) Also listed: Ocean Hackney (2,700); KoKo (1,500); La Scala (1,145); Electric Ballroom (1,100); Brixton Academy (4,921)	SBE, Astoria, Hammersmith Palais, Coronet
Mean Fiddler, West End (Hamsard)	1,000	1) La Scala (1,145) 2) Electric Ballroom (1,100) 3) Coronet (2,200)	Islington Academy, Scala, ULU, Bush Hall, Garage, Bloomsbury Ballroom, Dingwalls, Jazz Café, Borderline
Islington Academy (Academy)	800 + 250 (Bar Academy)	1) La Scala (1,145) 2) ULU (1,000) 3) Underworld (500) 4) Dingwalls (600) 5) Electric Ballroom (1,100)	Scala, ULU, Mean Fiddler, SBE, Garage, Bloomsbury Ballroom, Astoria, Kings College, Electric Ballroom
Garage, Highbury and Islington (Hamsard)	350 +150 upstairs	None listed	Underworld, ULU, Islington Academy, Mean Fiddler, Bloomsbury Ballroom, Union Chapel, 100 Club, Kings College, Dingwalls
Borderline, West End (Hamsard)	275	Many venues	Bush Hall, Bloomsbury Ballroom, Pigale, Metro, 100 Club
Jazz Café, Camden Town (Hamsard)	385	Many venues	Islington Academy, Scala, ULU, Bush Hall, Ronnie Scotts, Pigale, Arts Theatre, Metro, Dingwalls

Source: CC analysis.

*Note that the venues listed are based on unprompted answers by third parties.

†In April 2006, Hamsard secured a 15-year contract to manage the Wembley Arena.

‡The O2 Dome shorthall was listed by the parties as a competing venue. However, AEG told us that the Dome's minimum seating capacity would be 8,000, subject to licensing and production, and any other configurations had not yet been decided upon.

3. Live Nation also operates three other venues in London—the Dominion Theatre,¹ the Lyceum, and the Victoria Apollo. Each of these venues hosts a long-running musical show—*We Will Rock You* at the Dominion Theatre, the *Lion King* at the Lyceum, and *Bombay Dreams/Saturday Night Fever/Movin' Out/Wicked* at the Victoria Apollo. Between 2002 and 2006, the Victoria Apollo played host to four live music shows

¹Live Nation has a 33 per cent interest in the Dominion Theatre.

when the musical *Movin' Out* finished prematurely in 2006,² and the Dominion Theatre hosted three nights of live music in 2002 and 2003.³ There had been no other live music events at these venues between 2002 and 2006. We did not therefore consider these venues any further as they did not appear to be in competition with the three Academy venues in London, which are predominantly used for live music.

4. Of the venues listed in Table 1, the Astoria site has been sold to Derwent Valley Central for redevelopment in 2008. It is subject to a compulsory purchase order if the Crossrail development goes ahead. In addition, the downstairs Garage is currently closed due to its poor state of repair and Hamsard is trying to surrender the lease.

Initial analysis of competition between the main parties' venues

5. Consistent with our analysis of venues outside London in Appendix E, we examined four initial pieces of evidence to assess whether Academy and Live Nation/Hamsard venues were competing with one another:
 - (a) competing venues as ranked by the parties;
 - (b) Academy's 'lost show' reports;⁴
 - (c) third party responses to the questionnaire on alternative venues; and
 - (d) types of shows at each venue.

(a) and (b) competing venues as ranked by the parties and Academy's 'lost show' reports

6. Table 1 shows that both Academy and Live Nation/Hamsard consider the other parties' venues to be key competitors:

²These four events were Nick Cave, Foo Fighters, Ryan Adams, and Fiona Apple. We note that these are all international artists who may have had limited availability for a UK tour.

³Melissa Etheridge played two nights in 2002 and Henry Rollins 1 night in 2003.

⁴See discussion in paragraphs 69 to 71 for an explanation of these reports.

- (a) Hammersmith Apollo ranked Brixton Academy as its second most important competitor;
 - (b) Brixton Academy listed Wembley Arena (ranked 2) and Hammersmith Apollo (4);
 - (c) SBE listed Forum (2) and Astoria (4);
 - (d) Astoria listed SBE (2) and also mentioned Brixton Academy;⁵ and
 - (e) Forum listed SBE (2) and also mentioned Brixton Academy.⁶
7. The parties did not include one of the merging parties' venues as competing with Islington Academy and the Mean Fiddler. No competing venues were listed for Garage, Upstairs Garage, Borderline, and Jazz Café.
8. As Table 2 shows, Academy's 'lost show' reports for the period 2004 to 2006 indicated evidence of competition between Brixton Academy and Wembley Arena, Hammersmith Apollo and Forum, and between SBE and Astoria and Forum. Table 2 also shows competition between the parties' venues and third party venues, for example, between Brixton Academy and the Royal Albert Hall, Alexandra Palace and Roundhouse, and between SBE and KoKo, Barbican, Hammersmith Palais, Roundhouse and the Royal Festival Hall. We consider the extent and direction of this competition in paragraphs 69 to 71.
9. In addition, the reports showed evidence of competition between Islington Academy and Mean Fiddler, Garage, Jazz Café and Borderline, as well as with third party venues.

⁵The Hamsard-operated Forum was ranked by Hamsard as the main competitor to the Astoria.

⁶The Hamsard-operated Astoria was ranked by Hamsard as the main competitor to the Forum.

TABLE 2 Venues listed in Academy ‘lost show’ reports, 2004 to 2006

Venue	Capacity	Venues listed in Academy ‘lost show’ reports 2004 to 2006
Brixton Academy	4,921	Hammersmith Apollo, Royal Albert Hall, Alexandra Palace, Forum, Wembley Arena, Roundhouse
Shepherds Bush Empire	2,000	Koko, Barbican, Hammersmith Palais, Astoria, Forum, Roundhouse, Royal Festival Hall
Islington Academy	800 + 250 (Bar Academy)	Scala, Garage, Underworld, ULU, Jazz Café, Electric Ballroom, 93 Feet East, Kings College, Koko, Mean Fiddler, Borderline, Spitz, ICA, Lock 17, The Marquee

Source: CC analysis.

(c) Third party responses to promoter questionnaire

10. Table 1 shows that third parties considered Academy and Live Nation/Hamsard venues to be competing with one another:

- (a) Wembley Arena—competes with Brixton Academy;
- (b) Hammersmith Apollo—competing venues are Brixton Academy and SBE;
- (c) Brixton Academy—competing venues are Hammersmith Apollo, Wembley Arena, Astoria, and Forum;
- (d) Astoria and Forum—both compete with SBE;
- (e) SBE—competing venues are Hammersmith Apollo, Astoria, and Forum;
- (f) Islington Academy—competing venues are Mean Fiddler, Garage, and Astoria; and
- (g) Mean Fiddler, Garage, and Jazz Café—compete with Islington Academy.

11. No Academy venues were listed as competing with Borderline.

(d) Types of shows at each venue

12. The parties’ analysis, set out in Table 3 and Figure 1, showed that their London venues each promote primarily live music,⁷ with some venues being associated with particular genres of music, as categorized by the parties. The parties submitted that

⁷For Hammersmith Apollo and Wembley Arena, the MOR acts include children’s acts and comedy which are not live music. For Hammersmith Apollo, our analysis suggests there were [38] live music acts in 2005, with the remaining [38] events featured children’s acts, comedy acts, dance shows and other entertainment.

this illustrated that there were clear differences between the venues in terms of the number of events hosted in each music genre. They noted that:

- (a) the majority of events held at the Hammersmith Apollo in 2005 were Middle of the Road (MOR) and Adult Oriented Rock (AOR), whereas for Brixton Academy, in contrast, the majority of events were AOR, and then rock, with less than 10 per cent of bookings classified as MOR; and
- (b) SBE has a relatively high appeal to artists in the AOR and MOR genre compared with both the Astoria and Forum, which both have broader appeal in rock.

13. Based on this data, we accepted that the venues appeared to be grouped by types of music and may have a different appeal in terms of each music genre. However, we considered that:

- (a) The split between AOR, rock, and MOR was somewhat subjective and the distinctions between these types of acts may be blurred.
- (b) Hammersmith Apollo and Wembley Arena both included non-live music events within the MOR category. Excluding these, as we have done in Table 3, showed that AOR was the main type of live music hosted in Hammersmith Apollo.
- (c) there was considerable overlap between the parties' venues in terms of the main genre of music being played. For example, 22 per cent of all events and 41 per cent of live music events in Hammersmith Apollo in 2005 were AOR, which also comprised 60 per cent of events at Brixton Academy. Similarly, AOR comprised 67 per cent of events at SBE, 48 per cent at Astoria and 28 per cent at Forum.
- (d) Taking the overlap between each music genre, there was considerable commonality between the parties' venues. In Brixton Academy and Hammersmith Apollo, 90 of the events overlapped in terms of types of music.⁸ This is 63 per cent of events at Brixton Academy in 2005 and 40 per cent of all events in Hammersmith Apollo in 2005 (or 74 per cent of live music events).

⁸Ninety is derived by taking in each case the smallest number of each type of music in Brixton Academy and Hammersmith Apollo. This gives the 'overlap' in types of act. 90 is therefore the sum of 50 AOR events, 13 MOR, 12 rock, 8 urban, and 7 pop.

The overlap for SBE and Astoria was 71 events (45 per cent and 54 per cent of events in SBE and Astoria respectively), and the overlap for SBE and Forum was 69 events (44 per cent and 75 per cent of events in SBE and Astoria respectively).

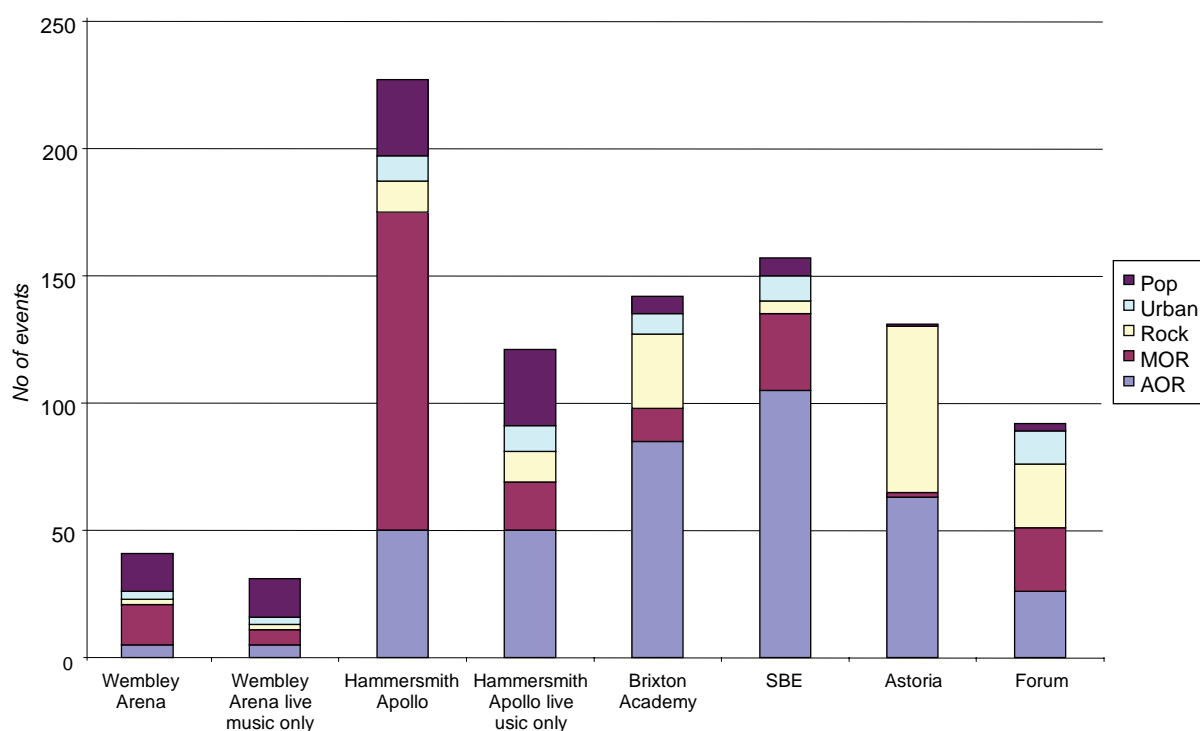
TABLE 3 Types of events at London venues, 2005

Type of music	No of events							
	Wembley Arena	Wembley Arena live music only	Hammersmith Apollo	Venue Hammersmith Apollo live music only	Brixton Academy	SBE	Astoria	Forum
AOR	5	5	50	50	85	105	63	26
MOR	16	6	125	19	13	30	2	25
Rock	2	2	12	12	29	5	65	25
Urban	3	3	10	10	8	10	0	13
Pop	<u>15</u>	<u>15</u>	<u>30</u>	<u>30</u>	<u>7</u>	<u>7</u>	<u>1</u>	<u>3</u>
Total	<u>41</u>	<u>31</u>	<u>227</u>	<u>121</u>	<u>142</u>	<u>157</u>	<u>131</u>	<u>92</u>
	per cent							
AOR	12	16	22	41	60	67	48	28
MOR	39	19	55	16	9	19	2	27
Rock	5	6	5	10	20	3	50	27
Urban	7	10	4	8	6	6	0	14
Pop	37	48	13	25	5	4	1	3

Source: Main party analysis.

FIGURE 1

Types of events by music genre shown at the parties' venues



Source: CC analysis.

Conclusion based on initial analysis

14. The initial analysis above suggested that the parties' venues could be competing. Based on the venues listed as competing against one another by the parties and third parties, competition between the venues appeared to fall into two broad groups—venues above 1,000 capacity (Brixton Academy, SBE, Wembley Arena, Hammersmith Apollo, Astoria, and Forum) and venues below 1,000 capacity (Islington Academy, Mean Fiddler, Garage, and Jazz Café).⁹ We therefore considered the competitive interaction between these venues and with third party venues in more detail. We set out our analysis of venues over 1,000 capacity first and then venues under 1,000 capacity.

⁹As Borderline was not considered as an alternative by any third parties, we have not considered this venue further.

Further competitive analysis: venues over 1,000 capacity

15. In this section, we consider the following venues of Academy, Live Nation, and Hamsard: Wembley Arena, Brixton Academy, Hammersmith Apollo, SBE, Astoria, and Forum. We also consider the following 11 third party venues,¹⁰ listed by the parties and third parties as possible alternatives (see Table 1): O2 Dome, Earl's Court, Royal Albert Hall, Alexandra Palace, Roundhouse, Hammersmith Palais, Barbican, Royal Festival Hall, Coronet, KoKo and London Palladium.
16. We considered the following evidence in relation to the extent of competition (both in terms of actual and potential substitutability) between the parties' venues and with third party venues:¹¹
- (a) factors on which venues compete;
 - (b) number of live rock and pop music events;
 - (c) third party responses to promoter questionnaire;
 - (d) overlap of artists between venues;
 - (e) usage of venues by promoter;
 - (f) Academy 'lost show' reports;
 - (g) parties' analysis of alternative venues; and
 - (h) profitability analysis of Brixton Academy and Hammersmith Apollo.

(a) Factors on which venues compete

17. In paragraph 4.4 of the report, we set out how venues compete and note that there is no ranking that can be applied to the different factors involved because the attractiveness of a venue is likely to depend on the combination of the factors rather than any one factor (or group of factors) in a consistent manner across venues. These factors are location, availability, capacity, ambience, and genre, configuration,

¹⁰As no third parties listed Ocean Hackney, Scala and Electric Ballroom as alternatives to venues of over 1,000 capacity, we did not consider these venues any further in this section.

¹¹The detailed analysis in the remainder of this appendix includes further analysis of some of the evidence we considered as part of our initial analysis in the preceding paragraphs.

facilities, artists' preference, cost and reputation and service quality. In Table 4 we consider those factors which are not opinion-based (eg ambience or artists' preference). We have only set out four factors—capacity, configuration, availability and venue hire cost—for consideration here and in our assessment we considered all the factors.

TABLE 4 Factors on which venues compete

<i>Venue and location</i>	<i>Capacity</i>	<i>Configuration</i>	<i>Availability in next 6 months (nights)</i>	<i>Availability in next 12 months (nights)</i>	<i>Approximate venue hire cost</i>	<i>Venue hire cost per person £*</i>
O2 Dome, Greenwich	20,000†	16,000 seated (plus 4,000 standing)	Not opening until July 2007 but one or two acts now lined up	Not opening until July 2007 but one or two acts now lined up	[£]	N/A
Earl's Court	17,500 (But can vary capacity down to 2,000 standing)	Seated (or 13,000 standing)	22	40	£80,000‡	£4.57
Wembley Arena	4,000 shorthall 12,750 full hall		71	271	£42,000 for full hall	£3.29
Alexandra Palace, Muswell Hill	8,250 (7,250 all seated)	Standing	N/A	N/A	£24,000	£2.91
Royal Albert Hall, South Kensington	5,222§	Seated	4	15	£10,400–£16,600 +12–14% net box office revenue	£4.60¶
Hammersmith Apollo	5,039 (3,632 all seated)	3,107 standing (plus 1,932 seated upstairs)	82	287	15% net box office revenue (min £6,500, max £11,000)	£2.18 standing £3.03 seating
Brixton Academy	4,921 (2,391 all seated)	3,838 standing (plus 1,083 seated upstairs)	122	334	£10,000	£2.03 standing £4.18 seating
Roundhouse, Camden Town	3,000 (1,800 all seated)	Standing	80	150	£7,500	£2.50
Royal Festival Hall, South Bank	2,900	Seated	Re-opens June 2007	Re-opens June 2007	N/A	N/A
London Palladium, West End	2,286	Seated	<i>Sound of Music</i> about to start	<i>Sound of Music</i> about to start	N/A	N/A
Hammersmith Palais	2,230	Standing	50	180	£1,500–£3,500	£1.57

Venue and location	Capacity	Configuration	Availability in next 6 months (nights)	Availability in next 12 months (nights)	Approximate venue hire cost	Venue hire cost per person £*
O2 Dome Music Club, Greenwich	2,200 ¹²	1,100 standing (plus 1,100 seated)	Not opening until July 2007	Not opening until July 2007	N/A	N/A
Coronet, Elephant and Castle	2,200		N/A	N/A	£3,000	£1.36
Forum, Kentish Town	2,110		121	304	£2,500/£3,500 depending on act	£1.66
Astoria, West End	2,000	Standing	62	155	£4,500	£2.25
Shepherds Bush Empire	2,000 (1,278 all seated)	Standing	95	274	£2,250–£3,750	£1.88
Barbican, City	1,949	Seated	N/A	N/A	N/A	N/A
Koko, Camden Town	1,500	Standing	N/A	N/A	£1,900	£1.27

Source: CC analysis.

*Based on the maximum cost, unless otherwise stated.

†See note to Table 1 on capacity at the O2 Dome. Capacity and configuration for O2 Dome and Music Club are subject to licensing and production.

‡Earl's Court stated that [§].

§[§] noted that the capacity of the Royal Albert Hall may in fact be nearer 3,500 because 1,500 seats are owned boxes.

¶Based on a rental of £24,000.

Capacity and configuration

18. Table 4 shows that the big arenas (for example, Wembley Arena and Earls Court) can be flexible in the proportion of the total capacity they make available for a specific concert. Venues tend to be either all seated or standing but some venues (such as Hammersmith Apollo and Brixton Academy) have removable seating which enables them to switch easily between all-seated events and primarily standing (with seating upstairs) events. However, the parties noted, and we accepted, that there tends to be a preferred format at venues. For example, Hammersmith Apollo tends to be used as an all-seated venue and Brixton tends to be used a standing venue (with seating upstairs).¹³ The parties therefore submitted that, on this basis, Royal Albert Hall is a closer substitute to Hammersmith Apollo than Brixton Academy, and the Roundhouse and Alexandra Palace are closer substitutes to Brixton Academy than Hammersmith Apollo. However, configuration is only one factor on which

¹²The capacity of the O2 Dome Music Club is as yet unconfirmed but it will be between 2,000 and 2,200 seats [§].

¹³In particular, the parties noted that 22 of the scheduled events for 2006 at Hammersmith Apollo were standing events, and only six were all-seated at Brixton Academy.

venues compete and, consistent with our approach to market definition, we consider that the degree of substitutability cannot be assessed by focusing on any one individual characteristic of each venue.

Availability

19. Table 4 shows that availability of dates over the next 6 and 12 months varies between venues. Some venues have extremely limited availability:
 - (a) the Royal Albert Hall, for example, has only 15 nights available in the next 12 months;
 - (b) Earl's Court has only 40 nights available in the next 12 months; and
 - (c) third parties (eg Kennedy Street) told us that getting into some of the West End theatres (eg London Palladium) was extremely difficult due to a lack of availability of dates. However, the parties submitted that it was not difficult to obtain availability at any West End theatre because at least one will tend to have availability due to nights when there is no performance (so-called 'dark nights').

20. Booking a tour into venues with limited availability is therefore difficult if tour dates are not particularly flexible.

21. The O2 Dome (and Music Club) does not open until July 2007, although the Dome has now started to take some bookings. We have therefore not considered this venue any further in this appendix but have considered it in paragraphs 5.12 to 5.14 of the report.

Venue hire cost

22. Venue hire costs in absolute terms in Table 4 vary considerably between venues. However, the parties submitted, and we agreed, that venue hire costs should be examined on a per person basis (as presented in Table 4), to take into account the

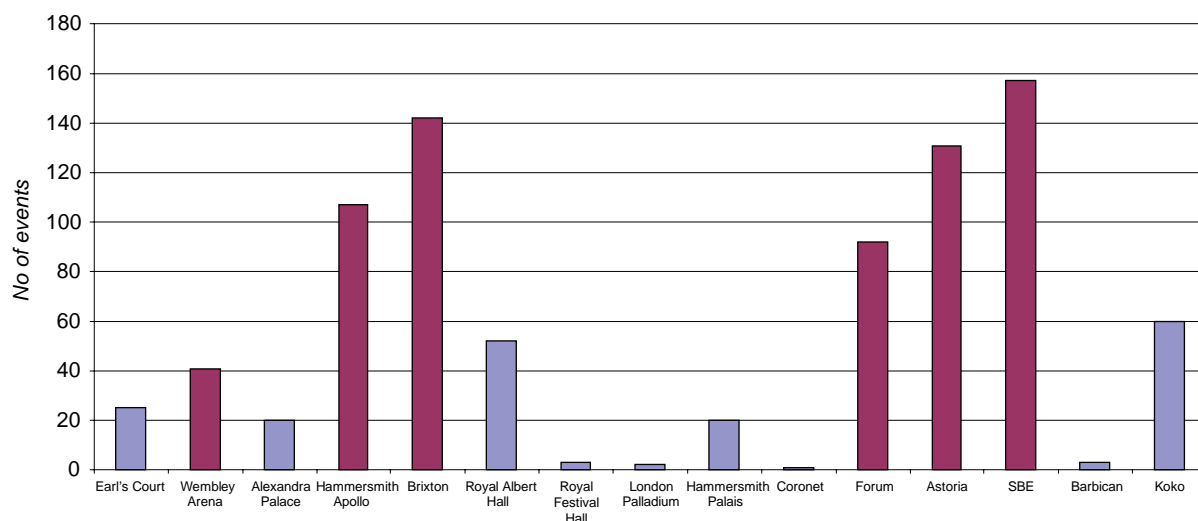
differences in capacity. This analysis showed that venue hire costs vary by £2 to £3 per person for comparable venue sizes. The parties noted that these differences are acceptable to promoters/agents if they can charge a premium on the ticket price of £2 to £3. We considered that examination of venue hire prices in terms of levels (either overall or on a per person basis) was not informative of the extent of substitutability between venues because of the number of other factors on which venues also compete (which therefore needed to be taken into consideration when comparing prices).

(b) Number of live rock and pop music events

23. Figure 2 shows the number of live rock and pop music events by venue in 2005.¹⁴

FIGURE 2

Estimated number of live rock and pop music events by venue (in capacity size order),* 2005



Source: CC analysis.

*Earl's Court has the greatest capacity.

Note: The figures for Coronet, Royal Festival Hall, Barbican and London Palladium are based only on data from promoters SJM and Metropolis. The actual number of events is higher than those shown. We note a few of these other events in paragraph 25. However, additional events at these venues are unlikely to materially change the analysis.

¹⁴Note that Wembley Arena had a temporary Pavilion in use in 2005 whilst it was being refurbished for 16 months. Roundhouse opened in June 2006 so is not included.

24. Figure 2 shows that the parties' venues account for the top five venues in terms of absolute numbers of events in 2005. Of the third party venues, only the Royal Albert Hall (52) and KoKo (60 events) hosted more than 30 live rock and pop music events in 2005.
25. A number of the venues in Figure 2 had fewer than ten live rock and pop music events in 2005:
- (a) The London Palladium has hosted live music in the past. We were aware of two live rock and pop music events in the London Palladium in 2005 (Turin Brakes and Damien Rice), both promoted by SJM Concerts. However, since it was acquired by The Really Useful Theatre Group in 2000, the London Palladium has shown a number of musicals (including Chitty Chitty Bang Bang from 2002 to September 2005, and Sinatra at the London Palladium from March to October 2006). From November 2006, the London Palladium is hosting the new production of *The Sound of Music*.
 - (b) The Royal Festival Hall is currently undergoing renovations and is not due to re-open until mid-2007. We were aware of three live rock and pop music events in the Royal Festival Hall in 2005 promoted by SJM and Metropolis (Crosby and Nash and Low (both Metropolis Music) and Alison Moyet (SJM)). In addition to those events in Figure 2, we noted several other events for other promoters at the Royal Festival Hall, including Josh Rouse, Eels, Anthony and the Johnsons, Little Richard, and a series of events in Patti Smith's *Meltdown*.
 - (c) We were aware of three live music acts (Katherine Jenkins, Dead Can Dance, Madeleine Peyroux) promoted by SJM and Metropolis at the Barbican Centre in 2005. In addition to those events in Figure 2, we noted several other events for other promoters at the Barbican Centre, including Belle and Sebastian, and Ben Folds.

(d) In 2005, we were aware of only Oasis having played at the Coronet. It is targeting [✂] live music concerts in 2007.

26. Earl's Court, Alexandra Palace and Hammersmith Palais each had fewer than 30 live music events in 2005:

(a) Earl's Court hosted 25 events in 2005. Earl's Court stated live music accounts for 10 per cent of their business. This tends to fluctuate bi-annually because the exhibition business follows such a cycle. For 2006, Earl's Court is likely to have about 12 live music events.

(b) Alexandra Palace hosted 20 live music events for 12 artists in 2005.

(c) Hammersmith Palais hosted 30 live music events in 2005. The weekly club night, *School Disco*, makes up a large share of events in Hammersmith Palais.

(c) Third party responses to questionnaires

Questionnaire respondents

27. We sent a short questionnaire to around 20 promoters and agents (approximately half were promoters and half were agents).¹⁵ These promoters and agents were those that used the main parties' venues most frequently. Table 5 and Figure 3 show the breakdown of promoters by venue. The last two lines in the table show for each venue the number of events that are promoted by promoters that responded to our questionnaire expressed as a percentage of (i) all events at that venue, and (ii) all events promoted by third party promoters (ie not including Live Nation and in-house promoters). We considered that it was the latter percentages that mattered because it indicated how many third party promoters we had taken into consideration.

¹⁵We received replies from 12 of these promoters and agents, a 60 per cent response rate.

TABLE 5 Number of events promoted by promoter at main party venues, 2002 to 2006

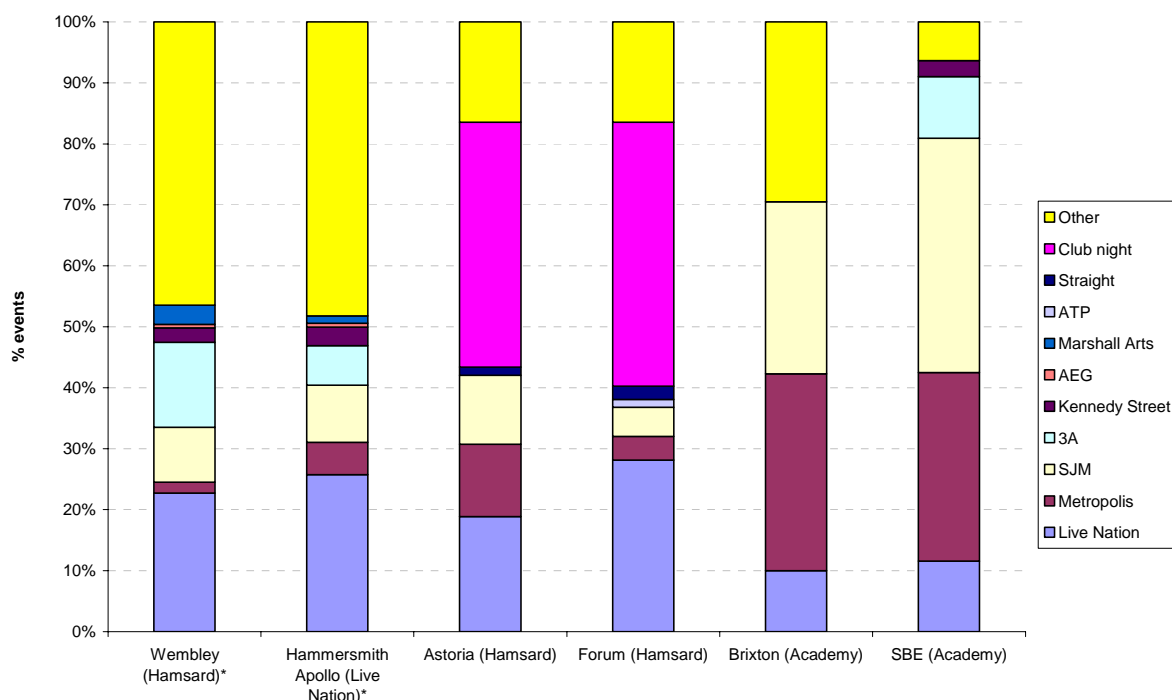
	Period covered*					
	2002–2006 Wembley (Hamsard)†	2002–2006 Hammersmith Apollo (Live Nation)†	2005–2006 Astoria (Hamsard)	2005–2006 Forum (Hamsard)	2002–2005 Brixton (Academy)‡	2002–2005 SBE (Academy)#
Metropolis	9	40	44	9	126	107
SJM	46	71	42	11	110	133
Live Nation	116	195	70	65	39	40
3 A Entertainment	71	49		0		35
Kennedy Street	12	23		0		9
AEG	3	5		0		
Marshall Arts	16	9		0		
ATP				3		
Straight			5	5		
Club night/In-house	0	0	149	100		
Other	<u>237</u>	<u>365</u>	<u>61</u>	<u>38</u>	<u>115</u>	<u>22</u>
Total number of events	<u>510</u>	<u>757</u>	<u>371</u>	<u>231</u>	<u>390</u>	<u>346</u>
% all promoters covered by questionnaire	28	25	23	9	61	82
% third party promoters covered by questionnaire	36	33	57	30	67	93

Source: CC analysis.

*Period covered varies according to data available from main parties.
 †Hammersmith Apollo and Wembley Arena include non-live music events.
 ‡Brixton Academy and SBE include club nights within 'other'.

FIGURE 3

Number of events promoted by promoter at parties' venues, 2002 to 2006



Source: CC analysis.

Note: Wembley Arena and Hammersmith Apollo include non-live music events. Astoria and Forum include club nights, and Brixton Academy and SBE include club nights within 'other'. Period covered varies according to data available from main parties and is set out in Table 5.

28. We received responses from five third party promoters ([X]).¹⁶ In some venues, we covered the majority of third party promoters. For example, in the Academy venues, we heard from promoters that booked at least 61 per cent of the dates between 2002 and 2005 at Brixton Academy and 82 per cent at Shepherd's Bush Empire. When considered as a percentage of third party promoters (ie excluding Live Nation and in-house promoted events), this rose to 67 per cent at Brixton Academy and 93 per cent at SBE. In each case, these percentages may have been higher still as a large number of events classified as 'other' promoters at Brixton Academy and SBE appeared to be club nights.

¹⁶We did not ask Live Nation to answer the questions as they are one of the merging parties.

29. In Wembley Arena and Hammersmith Apollo, we covered promoters that booked 28 per cent and 25 per cent respectively of all events at these venues. This percentage rose to 36 per cent and 33 per cent respectively of third party promoters. When live music events only at these venues were considered,¹⁷ the percentage rose to 52 per cent of all promoters and 76 per cent of third party promoters at Hammersmith Apollo, and 47 per cent of all promoters and 68 per cent of third party promoters at Wembley Arena.
30. In terms of agents, we received responses from six agents ([REDACTED]).¹⁸ Excluding Solo and ITB, which were either recently owned or continue to be owned by Live Nation, we heard from each of the top five agents based on those booking events through Live Nation's promotion services. Indeed, we covered agents that booked 41 per cent of events through Live Nation's promotion services from 2004 to 2006,¹⁹ as Figure 4 shows.

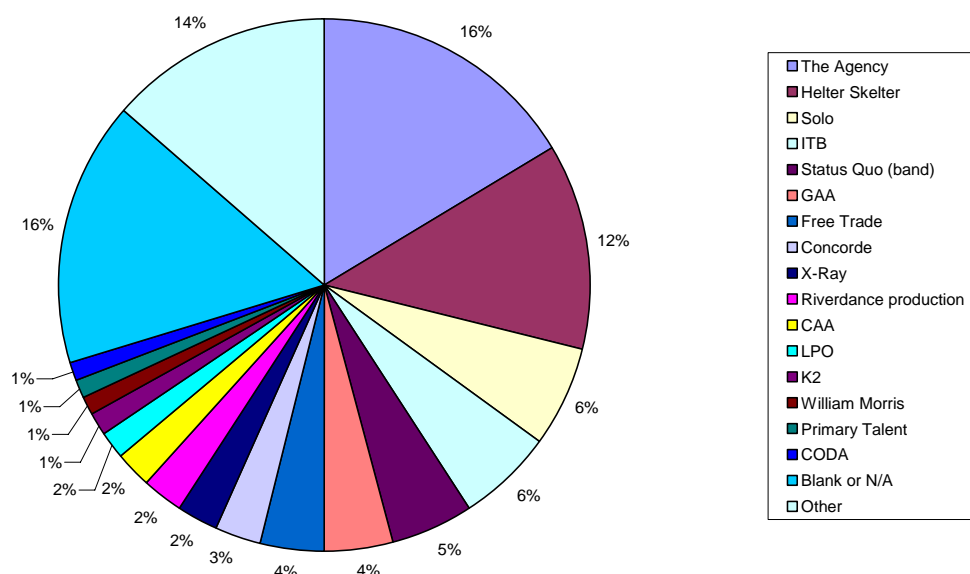
¹⁷Based on 2005 data at Hammersmith Apollo and 2004 data at Wembley Arena (because the venue was closed for much of 2005).

¹⁸The responses from one agent [REDACTED] were not useable.

¹⁹We did not have data of agency market shares, so we used Live Nation's promotion business with agencies as a proxy. Excluding events relating to ITB and Solo and events that did not have an agent or were related to Status Quo or Riverdance (for whom Live Nation acted as promoter, and are therefore included in Figure 4, but for whom no agent is listed), we covered agents that booked 63 per cent of events with Live Nation promoters between 2004 and 2006.

FIGURE 4

Share of events for which Live Nation’s promotions business worked with each agent, 2004 to 2006



Source: CC analysis.

31. The parties submitted that they were concerned about the robustness of the answers supplied for four reasons:
- (a) With the exception of Brixton Academy and SBE, the promoters that responded to the questionnaire accounted for only a small proportion (one-quarter or less) of the total events that are booked at the venues. As each promoter tends to represent a different mix of artists, there might be every reason to expect the mix is not representative.
 - (b) The analysis appeared to be based on the responses of only five promoters, and only three in the case of Astoria and Forum. Moreover, three of the five that submitted responses in relation to Brixton Academy had not hosted any events the venue in the last four years.
 - (c) Third party responses (notably those of [redacted]) had an interest in complicating Live Nation’s business dealings.
 - (d) Agents and promoters appeared to have given very little thought to the responses.

32. When considering these criticisms, we noted that:
- (a) We covered the majority of third party promoters (as set out in Table 5) at each venue,²⁰ with the exception of the Forum (30 per cent). For Hammersmith Apollo and Wembley Arena, we covered the majority (76 and 68 per cent respectively) of third party promoters when considering live music events only.
 - (b) Promotion into venues of over 2,000 capacity (and the agents that tend to use these venues) is highly concentrated. Table 5 and Figure 3 show this to be the case. In such markets, the number of available respondents is inevitably low. However, this should not discredit the results where those promoters (and agents) represent a sufficiently high number of events at the venues in question. Two promoters (AEG and Kennedy Street) did submit responses for Brixton Academy and yet had not used the venue in 2005. However, because we weighted responses according to the number of events in each venue we considered that we took this into account. In addition, AEG is a significant new promoter to the UK that would be likely to consider using Brixton Academy in the future. We also had responses from agents which covered 41 per cent of those agents using Live Nation's promotions services.
 - (c) The parties provided no evidence to support their contention that responses from third parties did not represent reasonably accurately their honest views. In any event, we weigh up all the evidence from the parties and third parties in coming to our conclusion. No one single piece of evidence is attached greater importance than another.
 - (d) With the exception of one response from an agent that we discounted (see footnote 18), we saw no evidence that promoters and agents had not given due thought to their responses.

²⁰Focusing on the six venues in Table 5, we covered 52 per cent of third party promoters. When the non-live music events at Hammersmith Apollo and Wembley Arena were excluded, this percentage rose to 72 per cent.

Questions asked

33. We asked four questions in relation to each of the main parties' venues:
- (a) Which venues do you usually consider using instead of this venue? Please rank up to three alternative venues in the order that you consider them.
 - (b) What would you do if the flat rate hire charge or the price agreement you reached for the venue rose by 5 per cent? Please state if you would still hire the venue or if you would hire another venue or do something else.
 - (c) If you would still hire the venue, what price rise would make you change your decision to hire this venue?
 - (d) If for some reason this venue was not available at all (for example, the venue was closed or in a period of refurbishment), which venue would you be most likely to choose?
34. The responses to these questions enabled us to understand which venues promoters considered as alternatives based on three different scenarios, one based on past decisions, one based on a future price rise and one based on a forced decision. From these we created diversion ratios, that is the percentage of promoters or agents that would switch to alternative venues in the event of a price rise (or some other action) at each of the parties' venues.
35. The parties submitted that the methodology employed could not generate meaningful responses for three reasons:
- (a) The four simplistic questions asked in the questionnaire ignored the fact that the ranking of preferred venues differs according to the musical genre of artists.
 - (b) The questionnaire did not address the relative closeness of competition of alternative venues because there was no indication as to the relative acceptability of the alternative venues if a promoter was forced to switch to another venue.

(c) The questions were largely backward-looking. By asking about venues that a promoter would normally consider when scheduling a tour, there was a natural bias towards those venues that had been available for a longer period of time. This led to an under-representation of the Roundhouse in responses.

36. In relation to each of these criticisms of the methodology:

(a) We accepted that the approach to the questionnaire had some limitations, arising from the need to secure a reasonable level of responses from third party promoters and agents. It was not practical to expect third party promoters and agents to comment on each artist that had played at each of the merging party venues over the past year. Asking the questions on a general basis therefore gave an indication as to how promoters and agents would react across the range of acts they promoted or represented.

(b) We considered that the questionnaire enabled us to assess the relative closeness of competition of alternative venues if a promoter was forced to switch to another venue. The questionnaire responses also allowed us to rank competing venues. In addition, we received a number of submissions in relation to individual venues and their relative suitability as alternatives. We have considered these when discussing each of the venues in this appendix.

(c) The questionnaire was both backward- and forward-looking with questions based around past decisions and future decisions (a price rise and a forced change in venue).

Analysis of responses

37. We consider below each of the six main party venues of over 1,000 capacity. We present two tables of results for each venue based on responses to questions (a) and (d) in paragraph 33. We consider the responses to questions (b) and (c) in paragraphs 50 to 55. For each venue, the first table shows the unweighted

percentages of promoters *and* agents that would use alternative venues to that venue. The second table shows the unweighted percentages of *promoters only* that would use alternative venues to that venue.²¹

(1) *Wembley Arena*

38. The last column of Table 6 shows that there are two main alternatives to Wembley Arena—Hammersmith Apollo (38 per cent of all respondents) and Alexandra Palace (38 per cent of all respondents). Brixton Academy and Earl’s Court were also listed as alternatives. Following the merger, the parties would therefore operate venues which 51 per cent of respondents²² considered as alternative venues.
39. 25 per cent of respondents stated that there was currently no first choice alternative to Wembley Arena. In addition to Hammersmith Apollo, Alexandra Palace and Brixton Academy (which were first choice alternatives), Royal Albert Hall was also listed as a second choice alternative. However, 38 per cent and 75 per cent of respondents did not list a second or third choice alternative, suggesting choice is limited. Following the merger, the merging parties would operate venues which 63 per cent²³ of respondents considered to be first choice alternatives, and 76 per cent of second choice alternatives. Indeed, two agents listed Brixton Academy and Hammersmith Apollo as the first two alternatives.
40. The parties submitted that the O2 Dome, once open, would have a major impact on the choices made by promoters for arena tours. We consider whether this is the case in paragraphs 5.12 to 5.14 of the report.
41. The picture was similar when promoters only were considered (see Table 7).

²¹We show promoters only because (i) we have data that allows us to weight their answers in later analysis, and (ii) it is the promoter that is the direct ‘customer’ of the venue.

²²This percentage is arrived at by adding 38 per cent for Hammersmith Apollo to 13 per cent for Brixton Academy.

²³This includes 25 per cent who stated there was no alternative to Wembley Arena.

TABLE 6 **Alternative venues to Wembley Arena that promoters and agents have considered in the past and would use if the venue was closed**

Venue	1st choice	2nd choice	3rd choice	per cent
				Choice if Wembley Arena not available
Hammersmith Apollo	25	13	0	38
Royal Albert Hall	0	13	0	0
Alexandra Palace	25	13	0	38
Brixton Academy	13	25	13	13
Earls Court	13	0	13	13
None	25	0	0	0
N/A	<u>0</u>	<u>38</u>	<u>75</u>	<u>0</u>
	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>
Total number of responses	8	8	8	8

Source: CC analysis.

Note: N/A means no alternative listed.

TABLE 7 **Alternative venues to Wembley Arena that promoters only have considered in the past and would use if the venue was closed**

Venue	1st choice	2nd choice	3rd choice	per cent
				Choice if Wembley Arena not available
Hammersmith Apollo	20	0	0	40
Royal Albert Hall	0	20	0	0
Alexandra Palace	20	20	0	40
Brixton Academy	0	0	20	0
Earls Court	20	0	0	20
None	40	0	0	0
N/A	<u>0</u>	<u>60</u>	<u>80</u>	<u>0</u>
	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>
Total number of responses	5	5	5	5

Source: CC analysis.

Note: N/A means no alternative listed.

(2) Hammersmith Apollo

42. Tables 8 and 9 show that Brixton Academy is the main alternative for promoters and agents using Hammersmith Apollo (78 per cent of promoters and agents, 60 per cent of promoters only). The only other first choice or 'forced' alternative is the Royal Albert Hall (22 per cent of promoters and agents, 40 per cent of promoters only).

43. Given that Hammersmith Apollo can be an all-seated venue, a number of respondents stated that theatres were second or third choice alternatives (eg the Dominion and West End theatres). The remaining third party venues that were considered were Hammersmith Palais (second choice) and Royal Festival Hall and Alexandra Palace (third choice). 33 per cent of respondents did not list a third choice. Three agents listed Brixton Academy as first choice with Wembley Arena or SBE as second or third choice. In these cases, the merging parties would operate the chosen venue and the two main alternatives following the merger.

TABLE 8 **Alternative venues to Hammersmith Apollo that promoters and agents have considered in the past and would use if the venue was closed**

Venue	1st choice	2nd choice	3rd choice	per cent
				Choice if Hammersmith Apollo not available
Royal Albert Hall	22	11	0	22
Brixton Academy	78	11	0	78
Alexandra Palace	0	0	11	0
Wembley Arena	0	22	0	0
Dominion	0	0	11	0
Royal Festival Hall	0	0	22	0
Hammersmith Palais	0	11	0	0
West End Theatre	0	11	0	0
SBE	0	11	22	0
Forum	0	11	0	0
N/A	0	11	33	0
	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>
Total number of responses	9	9	9	9

Source: CC analysis.

Note: N/A means no alternative listed.

TABLE 9 **Alternative venues to Hammersmith Apollo that promoters only have considered in the past and would use if the venue was closed**

Venue	<i>per cent</i>			
	<i>1st choice</i>	<i>2nd choice</i>	<i>3rd choice</i>	<i>Choice if Hammersmith Apollo not available</i>
Royal Albert Hall	40	20	0	40
Brixton Academy	60	20	0	60
Alexandra Palace	0	0	20	0
Wembley Arena	0	0	0	0
Dominion	0	0	0	0
Royal Festival Hall	0	0	0	0
Hammersmith Palais	0	20	0	0
West End Theatre	0	20	0	0
SBE	0	0	40	0
Forum	0	0	0	0
N/A	<u>0</u>	<u>20</u>	<u>40</u>	<u>0</u>
	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>
Total number of responses	5	5	5	5

Source: CC analysis.

Note: N/A means no alternative listed.

3) Brixton Academy

44. Tables 10 and 11 highlight that 100 per cent of respondents considered Hammersmith Apollo to be the main alternative to Brixton Academy.²⁴ A number of other venues were second choices (including five of the merged parties—Wembley Arena, SBE, Astoria, Forum, and Islington Academy²⁵). Indeed, in this case the merged parties (or no alternative) accounted for 80 per cent of respondents' second choices. The only other alternatives considered were the Royal Albert Hall, Hammersmith Palais, and Alexandra Palace (the latter of which was a third choice only).

45. The parties submitted that this supported their view that, once a first choice venue is not available, promoters look more widely for alternatives, including venues of

²⁴[§] stated that certain artists will prefer playing Brixton Academy than Hammersmith Apollo, but if Brixton Academy is not available, Hammersmith Apollo would be the second option. Although there are other possible alternatives, such as Hammersmith Palais and the Coronet, these 'do not tick all the boxes'.

²⁵In the case of the three smaller venues, the alternative here was to do two nights at one of these venues instead of one night at Brixton Academy.

different sizes. However, between 20 and 40 per cent of all respondents did not list any second or third choices or stated that there were no other alternatives.

TABLE 10 **Alternative venues to Brixton Academy that promoters and agents have considered in the past and would use if the venue was closed**

Venue	1st choice	2nd choice	3rd choice	per cent
				Choice if Brixton Academy not available
Hammersmith Apollo	90	0	10	100
SBE	10	20	10	0
Royal Albert Hall	0	10	10	0
Alexandra Palace	0	0	10	0
Hammersmith Palais	0	10	0	0
Wembley Arena	0	10	10	0
Astoria	0	20	0	0
Forum	0	0	10	0
Islington Academy	0	10	0	0
N/A	<u>0</u>	<u>20</u>	<u>40</u>	<u>0</u>
	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>
Total number of responses	10	10	10	8

Source: CC analysis.

Note: N/A means no alternative listed.

TABLE 11 **Alternative venues to Brixton Academy that promoters only have considered in the past and would use if the venue was closed**

Venue	1st choice	2nd choice	3rd choice	per cent
				Choice if Brixton Academy not available
Hammersmith Apollo	100	0	0	100
SBE	0	40	0	0
Royal Albert Hall	0	20	20	0
Alexandra Palace	0	0	20	0
Hammersmith Palais	0	20	0	0
Wembley Arena	0	0	20	0
Astoria	0	0	0	0
Forum	0	0	0	0
Islington Academy	0	0	0	0
N/A	<u>0</u>	<u>20</u>	<u>40</u>	<u>0</u>
	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>
Total number of responses	5	5	5	3

Source: CC analysis.

Note: N/A means no alternative listed.

(4) Shepherd's Bush Empire

46. Table 12 shows that the main alternatives to SBE are the merging party venues of Astoria (40 per cent of all respondents), Forum (40 per cent) and Hammersmith Apollo (10 per cent). Following the merger, the merging parties would operate venues which 90 per cent of all respondents considered to be a forced alternative. No other venues were listed as first choice alternatives, but Hammersmith Palais was given as a forced alternative. Table 13 shows a similar picture.

47. Roundhouse, West End Theatres, Royal Albert Hall, Royal Festival Hall, and London Palladium were stated as second and third choice alternatives. Following the merger, the merging parties would operate venues which 100 per cent of all respondents considered to be first choice alternatives and 80 per cent second choice alternatives. Indeed, six respondents listed Astoria and Forum as their first two alternative choices.

TABLE 12 **Alternative venues to Shepherd's Bush Empire that promoters and agents have considered in the past and would use if the venue was closed**

Venue	<i>per cent</i>			
	<i>1st choice</i>	<i>2nd choice</i>	<i>3rd choice</i>	<i>Choice if Shepherd's Bush Empire not available</i>
Astoria	50	30	0	40
Forum	40	30	10	40
Hammersmith Palais	0	0	20	10
Roundhouse	0	0	10	0
Hammersmith Apollo	10	0	0	10
West End Theatres	0	10	0	0
Royal Albert Hall	0	10	0	0
London Palladium	0	0	10	0
Royal Festival Hall	0	0	10	0
N/A	<u>0</u>	<u>20</u>	<u>40</u>	<u>0</u>
	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>
Total number of responses	10	10	10	10

Source: CC analysis.

Note: N/A means no alternative listed.

TABLE 13 **Alternative venues to Shepherd's Bush Empire that promoters only have considered in the past and would use if the venue was closed**

Venue	<i>per cent</i>			
	<i>1st choice</i>	<i>2nd choice</i>	<i>3rd choice</i>	<i>Choice if Shepherd's Bush Empire not available</i>
Astoria	60	20	0	40
Forum	20	20	20	20
Hammersmith Palais	0	0	40	20
Roundhouse	0	0	0	0
Hammersmith Apollo	20	0	0	20
West End Theatres	0	20	0	0
Royal Albert Hall	0	20	0	0
London Palladium	0	0	0	0
Royal Festival Hall	0	0	0	0
N/A	<u>0</u>	<u>20</u>	<u>40</u>	<u>0</u>
	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>
Total number of responses	5	5	5	5

Source: CC analysis.

Note: N/A means no alternative listed.

(5) Astoria

48. Table 14 shows that the Forum (50 per cent of all respondents) and Shepherd's Bush Empire (38 per cent) are the main alternatives to the Astoria. Diversion to the Forum is not affected by the merger because Hamsard already operates Astoria and Forum. However, SBE is one of the venues being acquired. The merging parties would operate 90 per cent of first choice alternatives and 100 per cent of second choice alternatives. Very few alternative third party venues were stated—only Hammersmith Palais (first choice) and Roundhouse and Coronet (third choices). Table 15 shows a similar picture.

TABLE 14 **Alternative venues to Astoria that promoters and agents have considered in the past and would use if the venue was closed**

Venue	<i>per cent</i>			
	1st choice	2nd choice	3rd choice	Choice if Astoria not available
SBE	50	50	0	38
Forum	40	40	0	50
Hammersmith Palais	10	0	10	13
Roundhouse	0	0	10	0
Coronet	0	0	10	0
N/A	<u>0</u>	<u>10</u>	<u>70</u>	<u>0</u>
	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>
Total number of responses	10	10	10	8

Source: CC analysis.

Note: N/A means no alternative listed.

TABLE 15 **Alternative venues to Astoria that promoters only have considered in the past and would use if the venue was closed**

Venue	<i>per cent</i>			
	1st choice	2nd choice	3rd choice	Choice if Astoria not available
SBE	60	40	0	33
Forum	20	40	0	33
Hammersmith Palais	20	0	20	33
Roundhouse	0	0	0	0
Coronet	0	0	0	0
N/A	<u>0</u>	<u>20</u>	<u>80</u>	<u>0</u>
	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>
Total number of responses	5	5	5	3

Source: CC analysis.

Note: N/A means no alternative listed.

(6) Forum

49. Table 16 shows that the Astoria (67 per cent of all respondents) and Shepherd's Bush Empire (33 per cent) are the two main alternatives to the Forum. Diversion to the Astoria is not affected by the merger because Hamsard already operates the Astoria and Forum. However, SBE is one of the venues being acquired. The merging parties would operate 100 per cent of first choice alternatives and 100 per cent of second choice alternatives. Very few alternative third party venues were stated—only Hammersmith Palais and Coronet (third choices). Table 17 shows a similar picture.

TABLE 16 **Alternative venues to Forum that promoters and agents have considered in the past and would use if the venue was closed**

Venue	<i>per cent</i>			
	1st choice	2nd choice	3rd choice	Choice if Forum not available
SBE	60	40	0	33
Hammersmith Palais	0	0	11	0
Astoria	40	30	0	67
Coronet	0	0	11	0
N/A	0	30	78	0
	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>
Total number of responses	10	10	9	6

Source: CC analysis.

Note: N/A means no alternative listed.

TABLE 17 **Alternative venues to Forum that promoters only have considered in the past and would use if the venue was closed**

Venue	<i>per cent</i>			
	1st choice	2nd choice	3rd choice	Choice if Forum not available
SBE	60	40	0	67
Hammersmith Palais	0	0	20	0
Astoria	40	20	0	33
Coronet	0	0	0	0
N/A	0	40	80	0
	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>
Total number of responses	5	5	5	3

Source: CC analysis.

Note: N/A means no alternative listed.

Reaction to a price rise at each venue

50. Table 18 shows the stated reaction of promoters only to a 5 per cent rise in venue hire prices based on their responses to the questionnaire (questions (b) and (c) in paragraph 33). Table 18 is split into three sections:

- (a) the first set of percentages are based on responses to question (b);
- (b) the second set of percentages converts these responses into the number of events that these respondents comprise at each venue;²⁶ and
- (c) the bottom section of the table shows what percentage of events would go to each of the merging party venues (or third party venues), if the promoter had to

²⁶This is expressed as a percentage of all events and not just third party-promoted events.

switch. This combines the response to question (c) with the response to question (d).

51. Note that the last two percentages may not sum to 100 per cent because not all promoters at each venue have responded to the questionnaire. So, for example, at Brixton Academy, where 67 per cent of respondents said they would still hire, these respondents only accounted for 61 per cent of all events at Brixton Academy in the last few years. The second and third sections of Table 18 therefore present the responses to a price rise and the diversion ratios between the parties' venues weighted by the extent to which promoters use the parties' venues.

TABLE 18 Response to 5 per cent price rise for promoters only at six venues in London

	<i>per cent</i>					
<i>Reaction</i>	<i>Brixton Academy</i>	<i>SBE</i>	<i>Hammersmith Apollo</i>	<i>Wembley</i>	<i>Astoria</i>	<i>Forum</i>
<i>Unweighted—% responses</i>						
Still hire	67	60	60	80	67	67
Uncertain	0	20	20	0	0	0
Not do tour	33	0	0	20	0	0
Use alternative	0	20	20	0	33	33
<i>All respondents weighted by promoter usage of venue—expressed in % events</i>						
Still hire	61	72	18	14	23	9
Uncertain	0	0	1	0	0	0
Not do tour	0	0	0	14	0	0
Use alternative	0	10	6	0	0	0
<i>Percentage of shows that would go to one of merging party venues if forced</i>						
Hammersmith Apollo	61	3	0	15	0	0
Wembley Arena	0	0	0	0	0	0
Astoria	0	10	0	0	0	4
Forum	0	31	0	0	12	0
Brixton Academy	0	0	15	0	0	0
SBE	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>5</u>
Total	<u>61</u>	<u>44</u>	<u>15</u>	<u>15</u>	<u>12</u>	<u>9</u>
Impact of merger in terms of % events that would now be internalised	61	44	15	0	0	5
% that would go to third party venues	0	38	10	13	11	0

Source: CC analysis.

Note: All respondents weighted by promoter usage does not sum to 100 per cent because we did not receive responses from all promoters at each venue. At Brixton Academy, for example, we received responses from promoters representing 61 per cent of events.

52. Table 18 highlights that a 5 per cent venue hire price rise would not be sufficient to lead to much switching as many promoters that responded (over 60 per cent for each venue) would continue to hire the venue (ie the own price elasticity of demand is relatively low). Respondents suggested that an increase of at least 10 to 20 per cent would be required before they would switch.
53. The parties submitted that this supported the proposition that agents and promoters tend to have a preferred venue in mind when considering where to place an event and the agent or promoter would generally be unwilling to switch away from that venue if faced with a small increase in venue hire price.
54. If promoters were forced to switch (perhaps for reasons other than price), Table 18 shows that the diversion to the merging party venues is high in some cases—at least 61 per cent of events currently in Brixton Academy would go to the Hammersmith Apollo, and 44 per cent of events at SBE would go to Astoria, Forum or Hammersmith Apollo. These are a minimum percentage level as this only takes into account those promoters that responded to our questionnaire. The percentages for other venues are lower because the promoters we received responses from represent a smaller percentage of events at these venues.
55. However, the parties submitted that, and we accepted that, on the basis of Table 18, in all cases other than Brixton Academy, nearly as many events would go to venues owned by third parties as would go to venues owned by the parties. For example, Table 18 shows that 38 per cent of events at SBE would go to third party venues (Hammersmith Palais) and 10 per cent of events at Hammersmith Apollo would go to third party venues (Royal Albert Hall). For SBE, the parties further noted that

Hammersmith Palais was the single largest recipient of any forced switching away from SBE.²⁷

(d) Overlap of artists between venues

56. To assess the extent of competition between venues, we examined the extent to which artists (acting through an agent and promoter) have played in one venue and have also played in a competing venue in the last few years. Although such analysis may reveal whether venues are actual substitutes for one another, it does not reveal whether they are potential substitutes for each other. The results of the analysis may therefore significantly underestimate the extent of substitutability between venues. We considered potential substitutability elsewhere in our analysis.
57. We assessed event by event data for each of the parties' venues and third party venues with more than ten live music events a year. This data is set out in Table 19. It is important to read Table 19 carefully because the data for each main party venue is based on different years (given the data that was made available by the parties).²⁸
58. To understand how to interpret Table 19, it is helpful to explain one of the figures. For example, the Earl's Court/Wembley Arena figure of seven at the top of the second column shows that seven artists that played in Earl's Court in 2005 also played in Wembley Arena in the period 2002 to 2006. This suggests that Earl's Court is less of a substitute for Wembley Arena than Hammersmith Apollo and Brixton Academy because only seven artists that played in Earl's Court in 2005 played in Wembley Arena in 2002 to 2006, compared with 11 at Hammersmith Apollo and ten at Brixton Academy, as can be seen by reading down the Wembley Arena column.

²⁷This represented the response of the most regular user of SBE (SJM Concerts).

²⁸Table 19 cannot be read across the main party venues because each main party venue is based on a different set data (eg Forum and Astoria are based on 2005 and 2006 data only whereas Hammersmith Apollo is based on 2002 to 2006). Table 19 can therefore only be read downwards, revealing how many artists that played in other venues in 2005 have also played in each main party venue over the relevant period.

TABLE 19 Artists playing in competing venues in 2005 that have also played in main party venues (2002 to 2006)

Number of artists playing in other venues

Venue considered for 2005	Wembley Arena 2002–2006	Hammersmith Apollo 2002–2006	Brixton Academy 2002–2005	SBE 2002–2005	Astoria 2005–2006	Forum 2005–2006
Earls Court	7	0	0	0	0	0
Alexandra Palace	2	3	10	3	2	1
Royal Albert Hall	4	7	0	5	1	0
Hammersmith Palais	1	3	3	3	3	0
Koko	2	2	4	7	8	5
Roundhouse (2006)*	2	4	4	7	2	3
Wembley Arena (2004)*	N/A	16	10	0	1	0
Hammersmith Apollo	11	N/A	19	14	1	0
Brixton Academy	10	24	N/A	15	7	8
SBE	2	15	11	N/A	7	1
Astoria	1	5	11	13	N/A	7
Forum	0	12	5	12	4	N/A
Artists in main party venue over period of data	240	391	239	431	190	118

Source: CC analysis.

*Roundhouse artists is based on the diary for mid-October 2006 to end-January 2007. Wembley Arena is based on 2004 data. Note: Comparing with events at Wembley and Hammersmith Apollo for 2002 to 2006, Brixton Academy and SBE for FY 2002-2005, and Astoria and Forum for 2005 to 2006.

59. The main conclusion that can be drawn from Table 19 is that the main parties' venues appear to be each other's closest substitutes²⁹ (mainly because they show more live music events than the other competing venues and therefore are likely to exert more of a constraint on each other):

- (a) Wembley Arena—Hammersmith Apollo and Brixton Academy appear to be the most substitutable, with Earl's Court the most used third party alternative;
- (b) Hammersmith Apollo—Brixton Academy, Wembley Arena, and SBE appear to be the most substitutable, with Royal Albert Hall the most popular third party alternative.
- (c) Brixton Academy—Hammersmith Apollo, Wembley Arena, SBE, and Astoria appear to be the most substitutable, with Alexandra Palace the most used third party alternative;
- (d) SBE—Hammersmith Apollo, Brixton Academy, Astoria, and Forum appear to be the most substitutable, with Koko and the Roundhouse the most popular third party alternatives;

²⁹Koko as a substitute for Astoria is the main exception here.

- (e) Astoria—Koko appears to be the most substitutable, with Brixton Academy, SBE, and Forum also popular alternatives; and
- (f) Forum—Brixton Academy and Astoria appear to be the most substitutable, with Koko and the Roundhouse the most popular third party alternatives.

60. In relation to third party venues, Table 19 shows that:

- (a) Earls Court hosted artists in 2005 that have also played Wembley Arena in the last few years but not any of the parties' other venues.
- (b) Royal Albert Hall hosted artists in 2005 that have played in Wembley Arena (4), Hammersmith Apollo (7),³⁰ SBE (5), and Astoria (1) in the last few years. No artists that played the Royal Albert Hall in 2005 played Brixton Academy in the last three years.
- (c) Alexandra Palace hosted ten artists in 2005 that played in Brixton Academy in the last three years. It also hosted artists that had played in each of the parties' other venues, but no more than three artists in each case.
- (d) Hammersmith Palais hosted artists in 2005 that had played in all of the parties' venues in the last few years (with the exception of the Forum). In each case, there were no more than three artists that had played in another venue.
- (e) Koko hosted seven and eight artists in 2005 that played in SBE and Astoria respectively in the last few years. It has also hosted artists that had played in all of the parties' venues.

61. The Roundhouse had only two live music events³¹ between its opening in June 2006 and mid-October 2006. However, from mid-October 2006 onwards the diary contained a greater number of live rock and pop music events, with publicity coming from the BBC Electric Proms in late October. Artists scheduled to play in the main

³⁰In the case of the Hammersmith Apollo, two artists (The Everly Brothers and Al Green) played Hammersmith Apollo and Royal Albert Hall on the same tour in 2005.

³¹These are Scott Matthews and Jolie Holland.

space included Kasabian, Guillemots, Divine Comedy, Feeder, Opeth, The Zutons, and Jarvis Cocker. The Roundhouse diary showed about 20 live music events, covering a range of music types, booked through to the end of January 2007. We therefore examined these artists in our analysis to take into account the way in which the Roundhouse had increased the number of bookings in recent months. Of these artists, seven had previously played SBE, four had played Hammersmith Apollo and Brixton Academy,³² three had played Forum, two had played Wembley Arena and, Astoria.³³ The parties submitted that this analysis showed that even though the Roundhouse had been open for less than six months it featured as an alternative venue for every single one of the venues owned by the parties.

62. We did not include London Palladium, Barbican, and Royal Festival Hall in our analysis in Table 19 as we only have a few known artists at these venues. Of the artists that we are aware of that played in these venues in 2005 (see paragraph 25):
- (a) Royal Festival Hall—one of the three artists (Crosby and Nash) played at Hammersmith Apollo in 2005.
 - (b) Barbican—one of the three artists (Madeleine Peyroux) played at SBE in August 2005.
 - (c) London Palladium—both artists have played Brixton Academy and SBE in the last few years, and one has also played Hammersmith Apollo.
63. The parties submitted that this analysis (and the analysis of the number of live rock and pop music events in paragraphs 23 to 26) was entirely backward-looking because it was based on events hosted at different venues in 2005. They noted that since there had been considerable change in venue choices in the last six months available to artists, agents and promoters, this evidence did not provide an insight

³²At the hearing with Academy, it was suggested that the Roundhouse was a competitor to Brixton Academy in terms of 'downstairs only shows'.

³³There is overlap in these figures, for example, Feeder has played Wembley Arena, Hammersmith Apollo and Brixton Academy in the last three years.

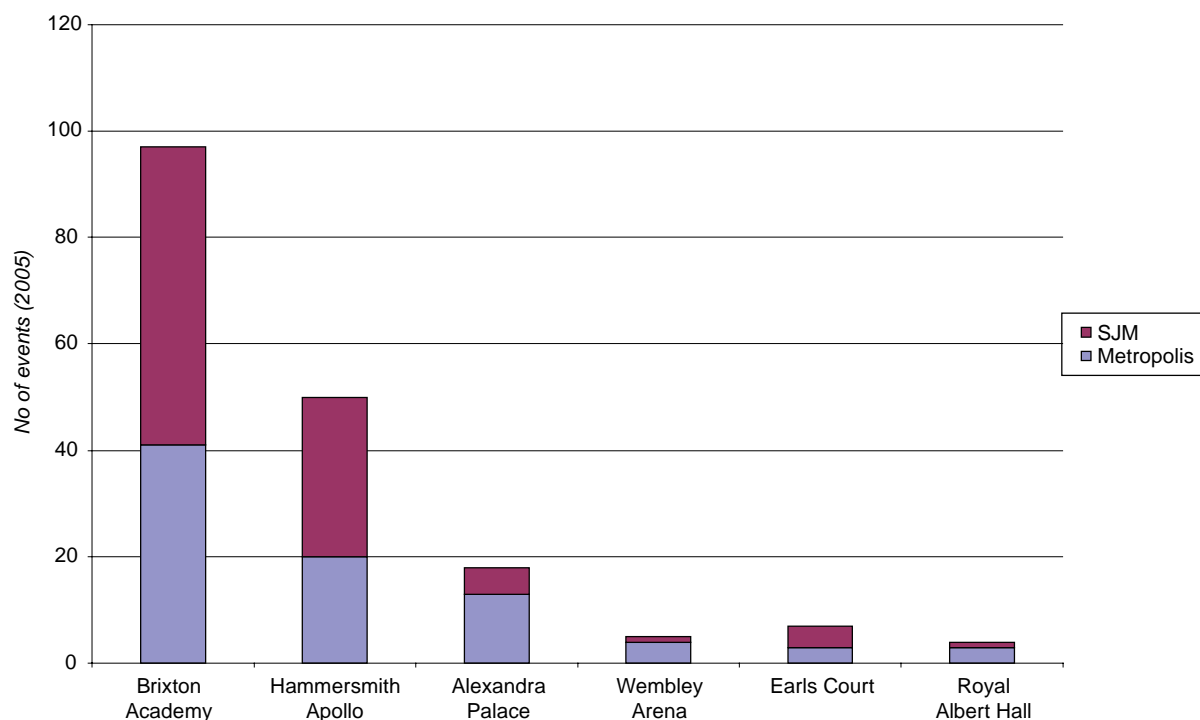
into the competitive constraints that would exist for the parties' venues post-merger. We considered the prospects for the newer venues, such as the Roundhouse and O2 Music Club, elsewhere in our analysis (see paragraphs 5.12 to 5.14 in the report).

(e) Usage of venues by promoters

64. To assess the extent to which venues are considered as alternatives by promoters, we examined which promoters have used alternative venues. We were supplied with data for two the lead promoters in the market, SJM Concerts and Metropolis. Figures 5 and 6 show the extent to which SJM Concerts and Metropolis have used the venues named by the parties and third parties as competing with the parties. Figure 5 shows that the suggested alternative venues to Hammersmith Apollo and Brixton Academy (namely Alexandra Palace, Earl's Court, and Royal Albert Hall) were each used for less than 20 events by SJM Concerts and Metropolis, whereas the parties venues were used for around 150 events in total.

FIGURE 5

SJM Concerts and Metropolis events at venues around 5,000 capacity, 2005

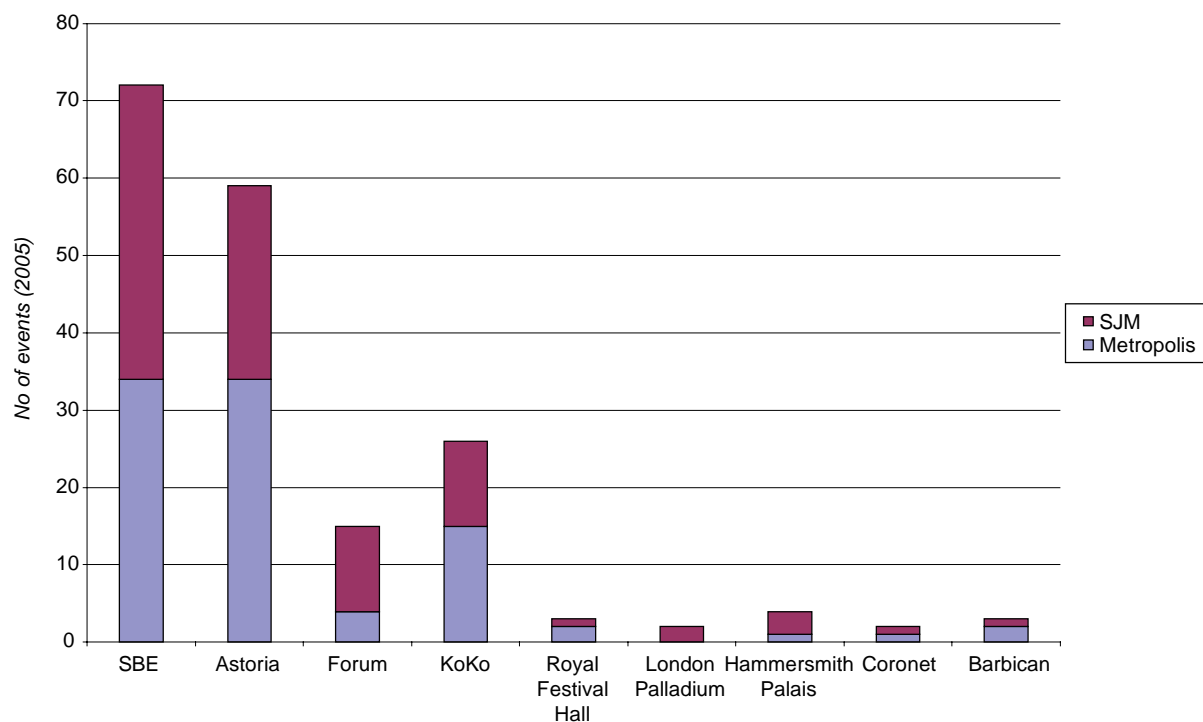


Source: CC analysis.

65. Figure 6 shows that use of SBE and Astoria by SJM and Metropolis is much greater than use of alternative venues. The KoKo is the next most regularly used followed by the Forum.

FIGURE 6

SJM Concerts and Metropolis events at venues over 2,000 capacity, 2005



Source: CC analysis.

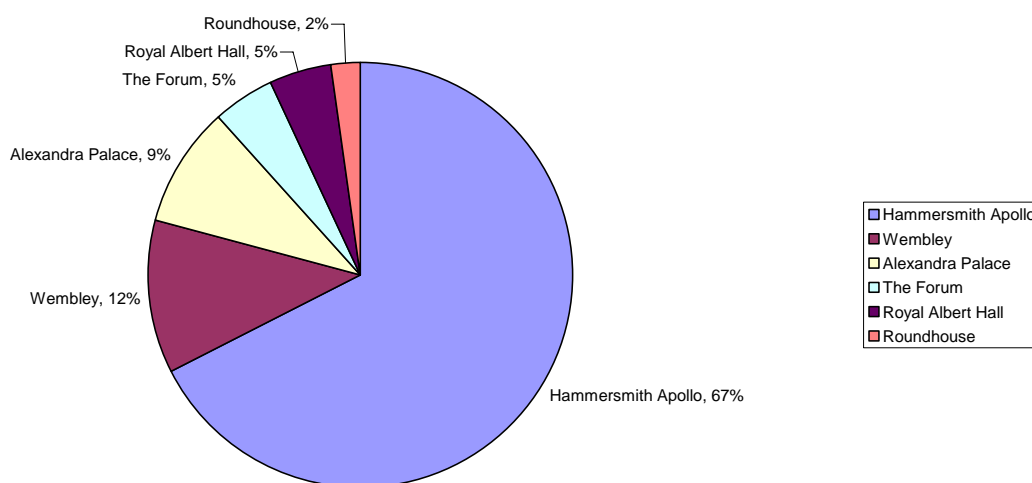
66. The parties submitted that this data provided no information in relation to the degree to which third party venues are considered as alternatives to the venues owned by the parties. As agents tend to have a preferred venue in mind when scheduling a tour, this analysis only showed the types of acts that are represented by these promoters and nothing more. However, we considered that SJM Concerts and Metropolis are the leading third party promoters in the main genres of music that are played at the parties' venues. Their usage of other venues therefore shows the extent to which other venues have been used for the types of acts these promoters promote. If actual substitutability with third party venues is high, we might expect to see a higher number of events in third party venues.

(f) Academy's 'lost show' reports

67. We set out in Table 2 those shows that were listed in Academy's 'lost show' reports for each of its venues in London.³⁴ Lost show reports for Brixton Academy and Shepherd's Bush Empire were available for most of 2006, with a report for SBE also available for January 2005. In total, there were 43 recorded lost shows for Brixton Academy and 74 for SBE. Figures 7 and 8 illustrate which lost shows are recorded by venue.

FIGURE 7

Lost shows for Brixton Academy

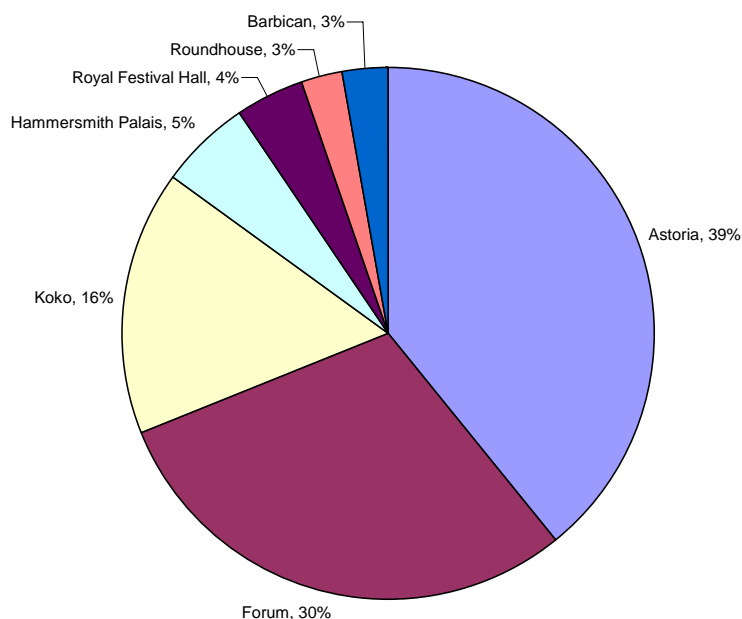


Source: CC analysis.

³⁴The 'lost show' reports were lists of events staged at rival venues based on publicly available listings. Academy had no knowledge of whether any of the acts actually considered (or would have accepted) performing at an Academy venue (in place of the venue which staged the event).

FIGURE 8

Lost shows for Shepherd's Bush Empire



Source: CC analysis.

68. Examination of the number of 'lost shows' to competing venues showed that:
- (a) For Brixton Academy, the most frequently mentioned competitors were Hammersmith Apollo (69 per cent of reported lost shows) and Wembley Arena (12 per cent). Third party venues only accounted for 16 per cent of the recorded lost shows.
 - (b) For Shepherd's Bush Empire, the most frequently mentioned competitors were Astoria (39 per cent) and Forum (30 per cent). Third party venues accounted for the remaining 31 per cent, with KoKo the leading third party competitor.
69. The parties submitted that the reports did not show the competitive constraints that other venues imposed on Brixton Academy and SBE, but instead showed the potential constraint that these two venues imposed on other venues shown in the figures. When viewed in this context, the parties stated that the lost show reports demonstrated a weak competitive constraint imposed by Brixton Academy and SBE on the other venues. Indeed, the parties noted that the 29 events at Hammersmith

Apollo that Brixton Academy could have hosted represented less than 20 per cent of events at Hammersmith Apollo in 2006; and the 29 events at Astoria and 22 at the Forum over a two-year period represented only between 10 and 15 per cent of events at each venue. The parties further submitted that the lost show reports provided an upper limit to the competitive constraint imposed because there was no guarantee that the agent would move to Brixton Academy or SBE.

70. On the direction of the constraint, we considered that the reports could be interpreted both ways—either a loss of potential events at Academy venues or a potential loss of events at the competing venue. We further considered that Academy would not be monitoring such events elsewhere if it was not concerned about competition either from or with these other venues. Discussion of the reports in board minutes³⁵ suggested that these were used to assess constraints from other venues on Academy venues.
71. In addition, we did not agree with the parties' interpretation of the results. In relation to SBE, Astoria, and Forum, it was incorrect to assume the data was spread over a two-year period, as the reports submitted by Academy only covered January and February 2005 and March to December 2006. This implied that the lost show reports covered 20 to 25 per cent of events in Astoria and Forum. In relation to Brixton Academy and Hammersmith Apollo, 29 events represented around 25 per cent of live music events in Hammersmith Apollo. In addition, we did not agree that this was the upper limit but rather a lower limit on any constraint because this only included those acts that actually performed at Hammersmith Apollo (and might have considered Brixton Academy) but did not include those acts that actually chose Brixton Academy (and might have considered using Hammersmith Apollo).

³⁵Academy Board Minutes, March 2006—'Quiet month for Brixton with only one show in the month. Lost show report shows some shows going to Hammersmith Apollo, which is not unexpected.'

(g) Parties' analysis of alternative venues

72. The parties submitted an analysis of alternative venues for the events at Hammersmith Apollo, Brixton Academy and SBE from January 2006 to end-October 2006. Based on the parties' industry experience and knowledge, as well as where those artists have historically chosen to play, the analysis showed for all the events in 2006 where those shows might have gone if the artist/agent were to replicate the tour in 2007, assuming full availability at the venue in question and taking into account newer venues, such as the Roundhouse and the O2 Dome. The parties told us that the alternatives reflected a strategy of considering ambience, configuration, economic benefit and audience demographic. The parties considered that the alternatives presented were more reliable than the views expressed in responses to the third party questionnaire.

73. We evaluated the evidence submitted by the parties, as set out below, but given the nature of the exercise, for which no independent support was cited, we did not consider that we should place greater weight on this evidence than on the other evidence we considered.

74. Tables 20 to 22 summarize the analysis conducted by the parties.

TABLE 20 **Alternative venues to Brixton Academy based on parties' analysis**

Venue	Number of artists			
	1st choice	2nd choice	3rd choice	4th choice
Roundhouse	31	2	0	4
Wembley Arena	12	0	1	3
Hammersmith Palais	2	30	1	0
Hammersmith Apollo	1	0	2	12
Astoria	1	0	28	1
The Dome	0	12	0	1
Forum	0	1	0	7
Royal Albert Hall	0	1	2	1
Shepherd's Bush Empire	0	1	1	0
Alexandra Palace	0	0	10	0
Coronet	<u>0</u>	<u>0</u>	<u>2</u>	<u>18</u>
Total	<u>47</u>	<u>47</u>	<u>47</u>	<u>47</u>

Source: CC analysis.

TABLE 21 **Alternative venues to Hammersmith Apollo based on parties' analysis**

Venue	Number of artists			
	1st choice	2nd choice	3rd choice	4th choice
Royal Albert Hall	40	2	12	0
Wembley Arena	17	39	3	1
Brixton Academy	5	0	1	11
The Dome	3	15	38	1
Shepherd's Bush Empire	2	5	1	31
Hammersmith Palais	2	2	3	1
Alexandra Palace	0	3	0	2
Roundhouse	0	3	2	9
Astoria	0	0	5	1
Royal Festival Hall	<u>0</u>	<u>0</u>	<u>4</u>	<u>12</u>
Total	<u>69</u>	<u>69</u>	<u>69</u>	<u>69</u>

Source: CC analysis.

TABLE 22 **Alternative venues to SBE based on parties' analysis**

Venue	Number of artists			
	1st choice	2nd choice	3rd choice	4th choice
Royal Albert Hall	39	12	26	18
Roundhouse	38	10	2	2
Scala	20	9	1	4
Hammersmith Palais	18	19	23	11
Koko	14	21	18	7
Royal Festival Hall	9	18	16	15
Astoria	8	10	11	35
Hammersmith Apollo	6	32	7	22
Coronet	5	7	10	11
Forum	5	8	32	28
Bloomsbury Ballroom	4	2	6	3
Barbican	2	9	14	10
Electric Ballroom	2	6	2	2
Ocean	0	7	2	2
Private hires	<u>11</u>	<u>11</u>	<u>11</u>	<u>11</u>
Total	<u>181</u>	<u>181</u>	<u>181</u>	<u>181</u>

Source: CC analysis.

75. The parties submitted that their analysis showed that the parties' venues were not the closest competitors to one another:

- (a) Of the 85 events³⁶ at Brixton Academy, 61 were live music events, with the remainder a combination of club nights, awards ceremonies, cultural events, spoken word and comedy. The parties submitted that none of the live music events would have seen Hammersmith Apollo as the direct alternative.

³⁶Tables 20 and 21 for Brixton Academy and Hammersmith Apollo are based on the number of artists not the number of events as set out in these paragraphs. The difference occurs because some artists play for more than one night.

- (b) Of the 117 performances at the Hammersmith Apollo, only 22 were in the standing configuration. This meant that for 81 per cent of the shows, large seated auditoria such as Royal Albert Hall, Wembley Arena and the Dome would be the best alternatives. Of the 22 standing shows, only seven would see Brixton Academy as the next best alternative (ie less than 6 per cent of shows). The other 15 standing shows were either for older audiences, who would likely be inhibited by a trip to Brixton, or for larger capacities that could move up to arena-sized venues.
- (c) Of the 181 events at SBE (for all of 2006), only 13 (or 7.2 per cent) would have considered either the Astoria or Forum as the next alternative. The next best alternative includes a wide range of venues—Koko, Hammersmith Palais, Barbican, Royal Albert Hall, Royal Festival Hall, Bloomsbury Ballroom, Roundhouse, Scala, Electric Ballroom, and Coronet.

76. The parties' analysis that aims to rank alternative venues will depend upon the weight given to the various factors on which venues compete, and hence is sensitive to choices made in this regard. We have assessed how far the outcome of the parties' exercise coincided with historic outcomes by examining the venues at which the artists performing at Hammersmith Apollo, Brixton Academy, and SBE in 2006 had performed previously. We note that our analysis, as it deals with historical outcomes, does not take into consideration those recently opened venues or venues not yet opened. We found that:

- (a) In many cases, the parties have not listed as alternatives those venues in which artists performed in recent years. These include some third party venues but are, in many cases, the parties' venues.
- (b) Where those venues at which artists have performed previously are listed, they are in several cases only listed as a third or fourth alternative.

77. These findings suggested that, although the parties told us that historical choice was one of the factors taken into account in their ranking, it may have been given limited weight and the parties' venues may therefore be closer substitutes than the parties' artist-by-artist analysis suggested.
78. In addition, we noted that the parties' analysis did not take into account limited availability at certain venues. For example, for Hammersmith Apollo, 40 artists were listed as having the Royal Albert Hall as the first choice alternative (this figure would be higher if expressed in terms of dates, to take into account multiple nights). However, as set out in paragraph 19, there may be limited availability in the Royal Albert Hall.

(h) Profitability analysis of Brixton Academy and Hammersmith Apollo

79. The parties submitted that, if Hammersmith Apollo were a close substitute to Brixton Academy, one would have expected the re-opening of Hammersmith Apollo following its re-configuration in July and August 2003 to have had a material impact on Brixton Academy. In particular, the parties noted there would have been one or more of the following effects:
- (a) a reduction in the rental (or other charges) at Brixton Academy; and/or
 - (b) a reduction in the number of (like-for-like) shows hosted at Brixton Academy; and/or
 - (c) a reduction in the profits made at Brixton Academy.
80. The parties provided the data in Table 23 to show that none of these events happened. The parties noted that the number of shows increased by just under 36 per cent, gross contribution increased by just over [X] per cent and EBITDA increased by [X] per cent. In addition, they noted that venue rentals at Brixton Academy were not changed following Hammersmith Apollo's reconfiguration.

TABLE 23 Impact of reconfiguration of Hammersmith Apollo on Brixton Academy

Year	Number of events	Gross contribution £m	EBITDA £m
October 2003 to September 2004	123	⌋ ✂ ⌋	
October 2004 to September 2005	167		

Source: Analysis submitted by the parties.

81. We did not consider that the evidence in Table 23 was sufficient to conclude that there was no impact on Brixton Academy for several reasons:

- (a) Any effects on Brixton Academy may be disguised by increases in the demand for live music venues over the past few years.
- (b) The analysis is not expressed relative to a counterfactual (ie what would have happened if Hammersmith Apollo was not reconfigured).
- (c) Configuration is only one factor on which venues compete and other factors may also have had an impact on any change in these measures.
- (d) The reconfiguration of Hammersmith Apollo took place over ten weeks in the summer months when indoor live music venues are not used so much, so any impact would have been limited.

Further competitive analysis: venues under 1,000 capacity

82. Based on the evidence in Table 1, the parties and third parties tended to consider the parties' venues of less than 1,000 capacity to be in competition with one another.

83. Although there was evidence that the parties' venues appeared to be competing in some cases (for example, Islington Academy with Mean Fiddler and Garage³⁷), at this capacity there appears to be a large number of alternative venues in London. These include Scala, ULU, Kings College, Underworld, and Bloomsbury Ballroom, all

³⁷For example, the Academy Board Minutes of March 2006 noted that the Islington venue should 'target the type of business currently going into the Garage at the c.400 capacity mark'.

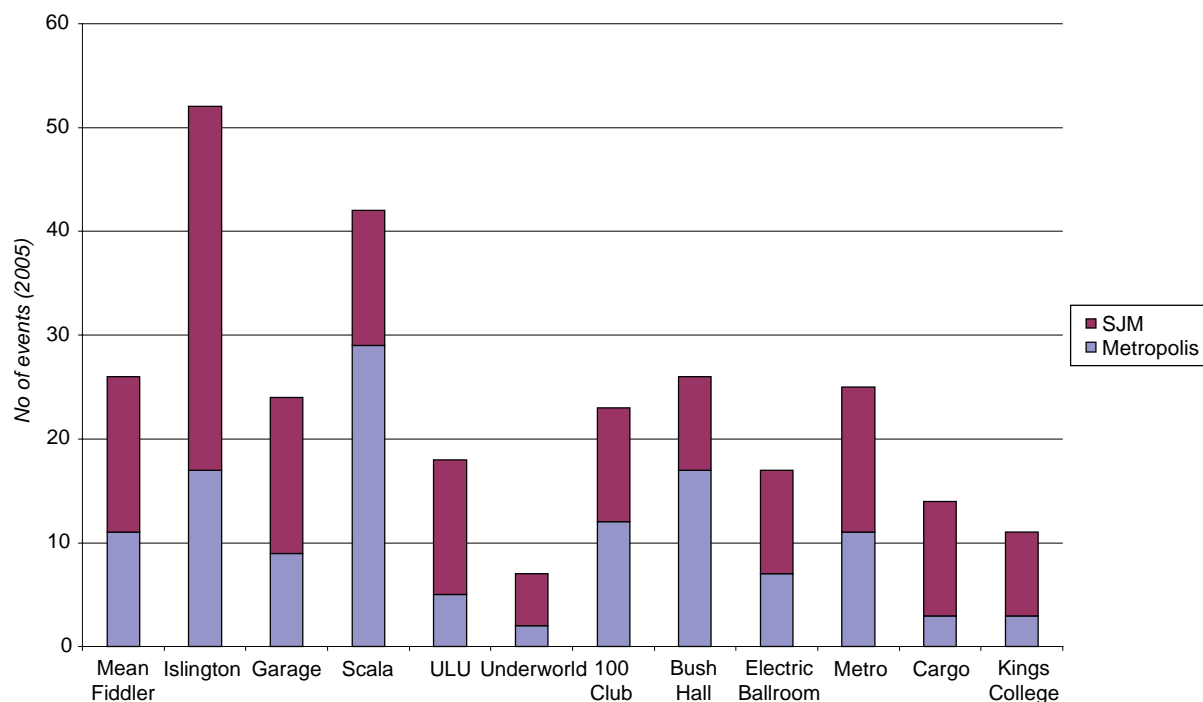
of which were considered as first choice alternatives and ‘forced’ alternatives to Islington Academy, Mean Fiddler and Garage. Other venues listed as first choice alternatives included Dingwalls, Bush Hall, 100 Club, Metro, and Ronnie Scott’s.

84. We had fewer responses in relation to these venues as less promoters and agents that we contacted as part of our questionnaire used these venues. This reflects the fact that there is a more diverse spread of promoters at these venues (and a greater proportion of in-house promotion) which means that our questionnaire responses became less meaningful.

85. When examining the usage of these venues by the two lead promoters, SJM Concerts, and Metropolis, it was clear that a wide spread of venues are used at this capacity level, as Figure 9 shows.

FIGURE 9

SJM Concerts and Metropolis events at venues under 1,000 capacity, 2005



Source: CC analysis.