Hollywood Studios Agree to Digital Rollout

By Ryan Nakashima
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LOS ANGELES -- Five Hollywood studios have agreed to help pay for a $1 billion-plus rollout of digital technology on about 20,000 movie screens in North America, a precursor to showing movies in 3-D.

Digital Cinema Implementation Partners, a consortium of major theater chains, announced the deal Wednesday. The rollout in the U.S. and Canada, covering about half of all screens, is planned to start early next year.

To help offset the costs _ about $70,000 per screen _ the studios plan to pay the consortium slightly under $1,000 per movie per screen, roughly the same amount it costs them to print and ship a celluloid film copy.

Adding digital equipment is the critical first step in the technological upgrade to being able to show 3-D movies.

More than 20 3-D movies are set to hit theaters through 2010, but only 873 locations in the U.S. and Canada, with 1,264 3-D screens, are available now, according to The Walt Disney Co., a signatory to the digital rollout.

Disney plans to release five 3-D movies next year, including a Jonas Brothers concert movie in February.

The digital expansion will help convert more screens to show 3-D movies, which have packed theaters and commanded higher ticket prices than their 2-D counterparts.

"It should ultimately improve the grosses," said Chuck Viane, president of domestic distribution for Walt Disney Studios Motion Pictures. "People will just fall in love with the medium."

Viane expected 1,500 to 2,000 locations, many with multiple screens, would be able to show 3-D movies by the end of 2009.

The studios in the deal include The Walt Disney Co., Viacom Inc.'s Paramount Pictures, News Corp.'s Twentieth Century Fox, General Electric Co.'s Universal Pictures and Lions Gate Entertainment Corp.

JPMorgan Chase & Co. and the Blackstone Group are leading the financing but will have to tap the turbulent credit markets in the fourth quarter, said consortium chief executive Travis Reid.

"We'll be needing to execute in the debt markets and we hope to do that during the fourth quarter," Reid
said. "We don't believe that the markets will be closed forever."

Regal Entertainment Group, one of the consortium's founders, announced in May that it would outfit 1,500 more of its screens with 3-D technology from a company called RealD, contingent on their being equipped with digital projectors.

The technology uses a filter in front of a digital projector to polarize separate images for the left and right eyes, which viewers use polarized lenses to see.

"We ... consider this a major milestone in our ongoing digital conversion and strategy," said Regal Chief Executive Officer Mike Campbell, in a statement.

RealD, which is responsible for 97 percent of the 3-D add-on technology for the digital screens in the U.S., has a contract to install its equipment on another 1,500 Cinemark USA Inc. screens as the digital rollout progresses.

"This triples our footprint," said the company's chief executive, Michael Lewis. "We're trying to work with everyone to get as many RealD screens out there as fast as possible."

AMC Entertainment Inc., Cinemark and Regal Entertainment Group formed the original DCIP consortium in February 2007. The studios each negotiated separately with DCIP to pay for the rollout, which delayed a deal for many months.

Reid said the group hopes to sign several other studios by the end of the year, including Sony Corp.'s Sony Pictures, Time Warner Inc.'s Warner Bros., The Weinstein Co. and Metro-Goldwyn-Mayer Studios Inc.

The rollout is expected to take more than three years.

Meanwhile, a group of independent theater owners operating some 8,000 screens is hoping not to miss the digital wave.

The National Association of Theatre Owners on Wednesday called on studios to sign a similar deal with smaller operators so that "independent exhibitors, often in small towns, are not left behind."

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