



Department of Justice

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JUSTICE WILL CHALLENGE PROPOSED RANK ACQUISITION

The Department of Justice announced today it will challenge the proposed acquisition of Deluxe Laboratories in Hollywood, California, by The Rank Organization Plc, which owns The Film House Group Inc., of Toronto, Canada, because the transaction would tend substantially to lessen competition.

Film House and Deluxe are specialized film laboratories that serve the Hollywood motion picture studios. Among other things, the laboratories produce wide-release prints: the multiple copies (more than 800) of feature motion pictures distributed to theaters nationwide for exhibition to the public. In 1989, total sales in the wide-release print market for movies distributed in the United States were more than \$140 million.

Deluxe and Film House are the second and third largest firms providing wide-release prints in North America. Based on capacity, Deluxe and Rank would have a combined market share of 42 percent. Based on production of wide-release prints for distribution in the United States in 1989, their combined market share would be about 51 percent.

Studios will not use a film laboratory for the production of wide-release prints for distribution in the United States

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unless the laboratory has demonstrated that it can meet the studios' exacting service and quality requirements. Few film laboratories have the capacity and capability to produce quality release prints in the limited period of time in which this work often must be done; even fewer have a successful track record proving they can do so.

James F. Rill, Assistant Attorney General in charge of the Antitrust Division, said the acquisition poses a significant risk to competition.

"If permitted, the acquisition would eliminate competition between two of the three leading laboratories in the North American market for wide-release prints and dramatically increase concentration in that market," Rill said.

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