


COMMENTS OF [REDACTED]
U.S. DEPARTMENT OF JUSTICE, ANTITRUST DIVISION,
REVIEW OF PARAMOUNT CONSENT DECREES

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[REDACTED]

As studios are now producing global blockbuster movies, there is less production and distribution of low- to midrange movies. Just like exhibitors, filmmakers are also being forced to decide between low-cost “passion” projects and huge priced blockbuster titles. Recently, new independent and smaller studios have entered the market in effort to revive the midrange movies. Exhibitors are eager for these independent and smaller studios to have their content available on their screens, and therefore screen inventory is essential.

Without the prohibition on block booking, studios might push this trend to the extreme, requiring exhibitors to book multiple screens for multiple weeks on their entire slate, thus leaving no variety for its customers. A system of long runs of entire slates could be devastating to small town and/or limited screen exhibitors and their consumers, who want family-friendly and faith-based entertainment from distributors of all sizes. In addition, allowing block booking could render exhibitors unable to effectively program and leave consumers with fewer options for quality entertainment in the community.



II. PER CAPITA

Despite, the Decrees prohibiting distributors from requiring “fixed minimum admission prices” for the licensing of their films by exhibitors, most exhibitors currently offer a standardized ticket pricing model, regardless of the cost, quality of the content, or the number of screens licensed. Except for matinees, youth/senior discounts, and markups for specialized formats, customers pay the same price regardless of the movie or timeslot they choose to watch the movie. As distributors use a per capita requirement, this sets a floor on pricing per customer for licensing fee purposes and this standardized ticket pricing model is the result.

Through the use of loyalty programs and third-party analytics, exhibitors now have much more insight into their customers buying and movie watching habits. Exhibitors who want to utilize these insights and new technologies, such as apps, to grow their box office must often fight with their studio partners in order to charge variable ticket prices. The ability for studios to threaten to pull content is a huge barrier to exhibitors providing variable ticket prices. In addition, the exhibitor’s agreements with the studios include terms such as bans on screen splitting and demands for a minimum exhibition period, regardless of consumer demand, which makes variable ticket pricing virtually impossible. The combination of loyalty data, ticketing apps, and variable pricing models could allow exhibitors to innovate in order to grow their customer base.

However, if block booking is allowed, the scale of release needed by independent distributors and exhibitors to prove that variable price options can effectively grow the box office could be prevented by large distributors. Without the ability to secure screens, independent studios will not have the visibility they require for midrange movie success and therefore will eventually disappear. In the end, per capita result in discouraging discounting and price competition as much as direct price fixing would.

III. CONCLUSION

Abandoning the prohibition on block booking will likely reduce competition and incentivize anti-competitive behavior. As demonstrated above, the current distribution model depends on a small number of studios with significant bargaining power. These studios are producing increasingly expensive content for global audiences, and demanding longer runs on more screens from exhibitors, as the overall financial success of a movie is increasingly dependent on theatrical box office. At the same time, major studios are also decreasing their slates and abandoning production of many small and midrange titles that American audiences demand, leaving independent distributors to produce the content studios no longer make.

Exhibitors require a variety of content in order to appeal to the varied tastes of their consumers. The prohibition on block booking has allowed exhibitors to use their screens to program both major studio content and other, more targeted fare. If distributors are permitted to block book, they could demand exhibitors book an entire slate on multiple screens, leaving little room for the independent and smaller distributors to finance and distribute films that consumers demand.

Without the block booking prohibition, major studios will continue to demand longer runs on more screens, which results in the driving the smaller studios out of business and even less possibility of developing consumer-driven pricing incentives in partnership with exhibitors.

Based on the above reasons, [REDACTED] implores the Department to maintain the prohibition on block booking as set for in the Decrees, as removal of such prohibition would support anti-competitive practices.