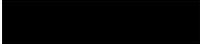


COMMENTS OF CINÉPOLIS USA
U.S. DEPARTMENT OF JUSTICE, ANTITRUST DIVISION,
REVIEW OF PARAMOUNT CONSENT DECREES

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I. INTRODUCTION

Cinépolis USA respectfully submits the following comments in response to the U.S. Department of Justice Antitrust Division's (the "Department") announced intentions to review the Paramount Consent Decrees (the "Decrees"). Cinépolis USA's comment will focus on only two key provision of the Decrees. Specifically, Cinépolis USA urges the Department to maintain the prohibition on block booking, as that prohibition supports pro-competitive practices.

Cinépolis USA parent company is the world's 4th largest movie theater circuit, operating more than 5,550 screens in 14 countries and serving more than 317 million patrons annually. Cinépolis operates under four different brands that span across the ultra-premium to the extreme value segments. It was the first cinema exhibitor in the world to pioneer the concept of premium and luxury movie theaters via its Cinépolis VIP brand. Cinépolis aspires to provide its patrons the best overall experience in filmed entertainment and employs a global workforce of approximately 41,000 people to support its mission. Founded in 1971, Cinépolis' world headquarters are located in Morelia, Mexico.

Cinépolis USA operates over 200 screens in 20 theaters in 7 states across the U.S. Cinépolis USA is a leading world-class cinema exhibitor that offers guests enhanced movie-going experiences through its "Cinépolis Luxury Cinemas" and "Cinépolis" theater concepts. Our Mission is to create an upscale, family-oriented environment and to indulge our guests in an intimate, comfortable, and friendly atmosphere. Cinépolis USA makes every movie memorable by providing an elevated level of the movie going experience. Our traditional, premium and 'Luxury Cinema' concepts have changed the way movie-goers will watch movies forever.

I. PROHIBITION ON BLOCK BOOKING

American movie-goers demand and deserve a wide variety of films, from low budget, art, independent, documentaries and blockbusters. Should block booking be allowed, exhibitors will be forced to show films that may not cover all their customers' interests. Movie-goers' choices will be limited and over time, this will result in fewer and fewer "alternative" or non-blockbuster films being made. Not only does this limit the availability of films at the theater, but it may also result in fewer choices for in-home entertainment.

Should the block booking prohibition be lifted, the studios could then engage in discriminatory distribution and pricing practices. Studios could then require exhibitors to purchase entire blocks of content, including non-desirable content, in order to secure a small subset of desirable films with top talent. Small exhibitors could be forced to opt out completely, if they cannot afford to book large quantities of film at once, or do not want wish to pay for films their audiences wouldn't watch. The practice of block booking "prevents competitors from bidding for single features on their individual merits."

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. Cinepolis USA operates in several south Florida locations, which have a “Snowbird” population in the winter and a significantly lower population of older adults in the summer. Without the prohibition on block booking, Cinepolis USA will not be able to program based on our changing customer base in a system where studio block booking is the norm; Snowbirds will not want the same movies that the locals want in the “off-season.” Each of these demographics are important to Cinepolis USA’s success in the area, but if block booking were allowed, neither group would be pleased with their movie choices.

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, Cinopolis USA 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.