

LOGY

Digital Cinema Gains Support

BY PETER SANDERS

A consortium of movie exhibitors has obtained the backing of five Hollywood studios for a plan to help finance the rollout of digital cinema equipment in U.S. theaters, bolstering the effort to make products like 3-D cinema widely available.

Though the transformation to digital projectors in theaters has been discussed for a decade, only in the past few months have a number of Hollywood's biggest studios signed on to the project. On Wednesday, the consortium announced that **Lion's Gate Entertainment Corp.** joined the four studios that had previously supported the plan: **Viacom Inc.'s Paramount Pictures**, **News Corp.'s Twentieth Century Fox**, **General Electric Co.'s Universal Pictures** and **Walt Disney Co.**

Digital projection would cut millions of dollars in annual costs for the studios by eliminating the need for film prints, and it would give theater owners more flexibility to move films on and off their screens. Digital projectors are also crucial to the rollout of equipment needed for three-dimensional movies, which Hollywood is increasingly planning to produce.

The consortium of theater owners, which is called Digital Cinema Implementation Partners and includes **Regal Entertainment Group**, **Cinemark Holdings Inc.** and **AMC Entertainment Holdings Inc.**, has been eager to



The rollout of digital cinema equipment would eliminate the need for prints—and take 3-D movies out of the 1950s and into the modern age.

add the technology but hasn't wanted to bear the cost alone. Under the pact, the studios will help defray the cost to install the digital projection equipment. Under the DCIP plan, the three big chains will be able to outfit nearly 20,000 screens with the technology.

It costs about \$70,000 to outfit a screen with digital projectors.

"Within the next few years, we will see thousands of auditoriums retrofitted with digital technology across North America," said Travis Reid, chief executive of DCIP. "Having these studios as our partners is critical to the success of digital cinema, and we look forward to working with them to ensure a smooth and efficient digital transition."

The financing package, totaling \$1 billion, will be led by J.P.

Morgan Chase & Co. and paid for over eight to 10 years. Private-equity firm **Blackstone Group LP** is also involved in the financing. Earlier this month, Universal Pictures and Disney agreed to throw their backing behind DCIP, though **Time Warner Inc.'s Warner Bros. studio** and **Sony Corp.'s Sony Pictures** won't be involved in DCIP at this time.

The studios will pay their share by contributing the money they would have spent on movie prints—about \$800 to \$1,000 per film—in the form of a "virtual print" fee. The participating studios are promising to provide a digital print of their movies for each screen that converts to digital. The studios' total annual contribution would vary depending on how many movies each company releases per year. The Hollywood studios' payoff comes later. Once the equipment is rolled out and their financing obligations are done, digital distribution of movies will cost just pennies per digital print. The rollout of digital cinema has also been complicated by competing technologies.

Sony's electronics unit is trying to get theaters to adopt its own digital technology. It is expected to announce on Thursday that it has entered into its own agreement with Sony Pictures, Twentieth Century Fox and Paramount to provide exhibitors with Sony's own digital projector system, according to people familiar with the matter. That group plans to roll out Sony "4K SXRD" projectors in theaters in North America, Asia and Europe, according to these people.

—Sarah McBride contributed to this article.