

The New York Times

With Theaters Barely Digital, Studios Push 3-D

By DAVID M. HALBFINGER
March 13, 2008

LAS VEGAS — Coming soon, and coming straight at you: houseflies in astronaut suits, Brendan Fraser boldly exploring the earth's core and an animated, nearly 50-foot-tall she-monster with Reese Witherspoon's voice.

Energized by impressive profits from the pioneering "Polar Express" (2004) and last year's "Meet the Robinsons" — not to mention the phenomenally successful "Hannah Montana & Miley Cyrus: Best of Both Worlds Concert Tour" — Hollywood is finally starting to bring 3-D movies to market, and in bunches. Theater owners are spending heavily to be ready with new projectors, screens, eyeglasses and higher ticket prices when those films start to arrive in multiplexes.

Here at ShoWest — the annual gathering of theater owners and vendors, which concludes on Thursday — bulky 3-D eyewear is almost as omnipresent as overfed conventioners with name tags. And studios promoting their slates for this year and next have shined the brightest spotlight on their 3-D titles.

New Line Cinema and Walden Media are screening "Journey to the Center of the Earth 3D," a live-action adventure with Mr. Fraser as the hero of their adaptation of the Jules Verne novel. Summit Entertainment is showing bits of "Fly Me to the Moon," an animated comedy about youthful bugs that sneak aboard the Apollo 11 mission.

And DreamWorks Animation's chief executive, Jeffrey Katzenberg, chose a prime slot at the opening ceremony on Tuesday to unveil a sequence from "Monsters vs. Aliens," his studio's spoof of 1950s science-fiction movies. Ms. Witherspoon stars in the film, set for release just over a year from now. (The clip featured Stephen Colbert as a characteristically swaggering president leading the Army against an unfriendly alien visitor.)

Industrywide, there could be as many as 10 movies released in 3-D in 2009, said Mr. Katzenberg, who has become the format's biggest missionary. But so far, fewer than 900 theater screens nationwide have had the costly 3-D systems installed. And until that number reaches 5,000, Mr. Katzenberg and other distribution executives say, 3-D movies will also need to be released in the 2-D format. (By comparison, the 2-D movie "Shrek the Third" opened on about 10,000 screens.)

In the short term, the slow rollout of 3-D projection systems raises the specter of a competitive bloodbath, as too many movies overwhelm the available outlets. That's what happened, for example, when the "Hannah Montana" film quickly knocked out "U2 3D," a U2 concert film that had opened on 3-D screens a week earlier.

Always leery of leaving money on the table, the studios are jockeying for dates free of 3-D competition. "Monsters vs. Aliens" at first was set for release on May 15, 2009, the same day as James Cameron's highly anticipated 3-D action movie, "Avatar." But Mr. Katzenberg blinked, pushing up his film's release by two months. "Avatar" was subsequently pushed back to Dec. 18 for production reasons. Mr. Katzenberg then delayed a December 2009 DreamWorks release, "How to Train Your Dragon," to March 2010, to avoid being squeezed between "A Christmas Carol," starring Jim Carrey, set for release by Disney on Nov. 6, 2009, and "Avatar."

For the most part the 2009 calendar has been smoothed out, but one bottleneck remains, according to Rentrak, which collects industry data. Two 3-D films are currently set for release on

July 24, 2009: "Piranha," a horror remake from Dimension, and Disney's "G-Force," about a squad of guinea pigs sent to stop an evil billionaire from taking over the world.

While studios have been readying their 3-D products, theater owners haven't embraced the new technology quite as fast. The biggest brake on the 3-D rollout has been the slow expansion of digital projection systems, which are steadily replacing film projectors at multiplexes nationwide. So far, just 4,600 out of about 37,000 movie screens have been converted to digital.

Studios have been subsidizing the conversions, which cost theaters about \$75,000 for each auditorium, with "virtual print fees" approximating their savings from not having to print and ship hundreds of film reels for each release. But Michael Karagosian, a technology consultant to the National Association of Theater Owners, said film companies like Kodak and Agfa had responded to the threat of digital cinema by lowering their prices for film prints, reducing studios' appetite for big digital subsidies. (A deal announced here on Tuesday to help convert up to 10,000 screens to digital included an \$800 subsidy, down from \$1,000 in an earlier round.)

Even with the subsidies, theater owners have to pay about 1.7 times as much for digital systems over time as they do for projectors, because of high maintenance costs and short equipment life spans, Mr. Karagosian said. Film projectors, by contrast, are much like Cadillacs in Cuba, kept humming for decades with cheap replacement parts.

"It's a big expense," said Larry Allen, owner of the 94-screen Allen Theater chain in New Mexico. An early adopter, he has converted all but 10 of his screens to digital projection. "But it's not always as good as they say it is," he added, describing the picture quality. "And I'm not so sure our customer even knows we have it."

Mr. Allen was here shopping for 3-D gear — it runs about \$20,000 per screen or more — but said he was not sure how many of his theaters to equip. And he lamented that the leading vendor of that technology, Real D, which says it operates about 97 percent of the existing 3-D screens, wielded too much clout.

"It's a seller's market," he said.

On the positive side for theater owners, they have been able to charge as much as \$5 more per ticket for 3-D movies like "Hannah Montana," and Mr. Karagosian said even poorly received movies like "Beowulf" have grossed twice as much on 3-D screens as in the 2-D format.

With that as bait, Mr. Katzenberg said, he was confident that enough theaters would be ready to show "Monsters vs. Aliens" in 3-D to justify what he estimated as \$15 million in added costs for making the movie in that format.

The studios, it's clear, are not waiting for theater owners anymore. "Two years ago, we were hoping — if we build this platform, will people show up?" said Michael Lewis, chief executive of Real D. "Now there's a title announced almost every week. The switch has been flipped."

But what about movies opening this summer? Cary Granat, chief executive of Walden Media, said its 3-D "Journey to the Center of the Earth" cost less than \$70 million, but will still need to open a lot wider than is now possible to make the difference "between profitable and very profitable."

"Our hope — our hope — is that there'll be somewhere between 1,250 and 1,400 screens," Mr. Granat said.