

RESPONSE OF
THE NATIONAL ASSOCIATION OF THEATRE OWNERS (NATO)

To the report and recommendations of
The Federal Trade Commission

Approved by the NATO Board of Directors
November 2, 2000
Phoenix, Arizona

Questions Should be Directed to:

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On September 11, 2000, the Federal Trade Commission (“The Commission”) released its report entitled “Marketing Violent Entertainment to Children: A Review of Self-Regulation and Industry Practices in the Motion Picture, Music Recording & Electronic Game Industries.” In its report, the Commission endorsed the concept of voluntary ratings systems, but made recommendations for improvements. America’s motion picture theatre owners and operators take the report of the Commission very seriously, and today we provide our response.

Background

For over thirty years the movie rating system has served to provide America’s parents with the information necessary to make informed and responsible decisions about their kids’ movie going choices. NATO co-founded the system with the Motion Picture Association.

Over the three decades, our members have turned away millions of dollars in business to enforce the ratings, and we continue to work on improvements. Just last year, NATO announced a new national ID-check policy for “R” rated movies. We have distributed materials and training tapes to our members to assist them in their enforcement efforts.

We note that our enforcement record is the best of the three industries surveyed by the Commission. Indeed, the Commission found that the theatre circuits included in their investigation “have taken responsible measures to increase enforcement of the minimum age requirement for the purchase of tickets to R-rated features since the Columbine shootings.”

That said, we certainly are not satisfied with the enforcement numbers reflected in the report. The Commission’s investigation began just a few months after we adopted and announced our new policy. We are confident that as our members continue to train their employees, and as we develop new ways to tighten up enforcement, our numbers will improve even more.

In addition to enforcement, advertising and education issues are equally important. The rating system is a shared responsibility between the entertainment industry and America’s parents. Advertisements for movies with adult content should not be targeted to children. Parents must be informed in order to make responsible decisions.

As the Commission noted, over 80% of America's parents are satisfied with the movie rating system. Even more important is the fact that parents use the ratings. Ninety-one percent of the parents surveyed by the Commission indicated their awareness of the movie rating system, and 90% said they consulted the system and restricted their child's movie going as a result. Those numbers were considerably higher for movies than for the other industries surveyed for the report.

But we want to do more.

The National Association of Theatre Owners has over 700 members in the United States, who operate over 25,000 movie screens. In order to receive our members' input and commitment to our ratings efforts, NATO convened a Board of Directors and General Membership meeting on November 2, 2000 in Phoenix, Arizona. All members were notified that the ratings system and our enhanced efforts would be discussed at the meeting.

At the meeting in Arizona, we discussed the Commission's report and recommendations. By resolution of the Board, NATO has endorsed the principles attached to this statement.

The Commission made recommendations in three areas – advertising, enforcement and education. Our resolution addresses each of the three areas.

As we examined our system, we worked to make improvements without substantial increased costs. For any observer who has read the business page lately, they are aware that the motion picture exhibition industry faces very tough economic times. Better ratings policies won't mean a thing to a theatre that closes its doors to the public. We looked for ways to redouble our efforts to improve the workings of the voluntary system while keeping a careful eye on costs.

Initiatives of the Members of the National Association of Theatre Owners

◆ **Advertising**

1. Each company will not show trailers advertising films rated R in connection with the exhibition of any G or PG rated feature film. Before showing trailers advertising films rated R in connection with the exhibition of PG-13 rated feature films, each company will examine the trailers to ensure that their tone and content are consistent with the feature film, and that nothing in the trailer itself is likely to offend the audience. Each company will not show “red band” trailers, or trailers for films rated NC-17, in connection with the exhibition of any G, PG, or PG-13 rated feature films, and some companies may decide not to play these trailers at all. Attached trailers which violate this policy will be cut off.

◆ **Enforcement**

2. Each company will take steps to reaffirm the NATO ID-check policy for R and NC-17 rated films, and will examine its operations and training policies to improve compliance with the policy.
3. Each company will assess current practices whereby managerial personnel visit company locations for other reasons, and will endeavor to add ratings enforcement compliance inspection to the duties of said personnel.
4. Each company will appoint a senior executive compliance officer(s) to review on a regular basis the company’s ratings enforcement practices.
5. NATO and its members will review compliance efforts and recommend any necessary additional steps at each biannual NATO Board meeting, and at each annual NATO general membership meeting.
6. Each company will endeavor to post personnel at the auditorium entrance for particular, extreme R-rated films, and for all NC-17 rated films. For films so designated, individual companies will seek

financial assistance from the distribution company responsible for the film to help defray labor costs.

◆ **Education**

7. NATO and its member companies will strongly encourage the MPAA and the studios to include the reasons for the ratings of films in all print advertising.
8. NATO and its member companies will seek ways to include ratings information in their web sites, and/or to link with sites that contain additional ratings information.
9. Each company will encourage newspapers with whom they do business to include the reasons for the ratings in their movie reviews.
10. Each company will display posters or other materials that explain the rating system in each theatre complex. NATO will supply such posters to its members upon request, and will advertise the availability of the posters in its publications.
11. NATO will encourage the MPAA to distribute ratings explanations for particular and current films to NATO members for use in the box office, call centers, and other information sources for patrons.
12. NATO will investigate the possible creation and distribution of additional slides or trailers that explain and emphasize the ratings system for use by its member companies as part of their pre-show elements.

Adopted by NATO Board Resolution, November 2, 2000.