MetroCast
See the world and beyond...

21 Jarvis Avenue • Rochester, NH 03868 • (603) 332-5466 • www.metrocastcablevision.com

January 17, 2011

City of Rochester
31 Wakefield Street
Rochester, NH 03867

Dear City Council Members:

In November and again in December I wrote to you to make you aware of rate and channel changes, as well as service enhancements, that went into effect beginning this month. The rate changes are necessary due to higher costs for video programming, including the increased costs associated with the carriage of local broadcast stations.

As you may know, Congress in 1992 gave local broadcast stations the right to choose between guaranteed carriage on the channel lineups of video providers ("Must Carry") or "Retransmission Consent." With Retransmission Consent, broadcasters choose to negotiate with video providers, usually on a per-subscriber fee basis, as a condition for granting the right to the video provider to retransmit the broadcast station to video customers. The law allows broadcasters to make a new election between these two options every three years and most agreements nationwide expired on December 31, 2011.

In this most recent cycle, most broadcasters—in contrast to prior years—selected the fee-based Retransmission Consent option over Must Carry. MetroCast worked in good faith to negotiate agreements fair to broadcasters and to our customers alike, with rates that we believe represent the value of the broadcast stations in each of our markets, while being sensitive to the impact on consumer costs.

However, broadcasters in their negotiations with video providers demanded fees dramatically higher than prior years, in some cases triple existing rates, thereby impacting the prices customers will pay in 2012 for video services not only in the City of Rochester, New Hampshire, but in every region of the country, regardless of whether the customer receives video service from a cable, telephone or satellite company.

In this regard, the MetroCast rate changes that went into effect for MetroCast customers are consistent with and comparable to the rate increases announced by other cable companies and video providers for the reasons outlined above. Moreover, since broadcast stations normally are carried on the lowest tier of video service (Economy Basic or Lifeline service), the price impact from rising Retransmission Consent costs was most pronounced on this level of service.

In addition, as a further consequence of Retransmission Consent, MetroCast will no longer be able to carry certain "out-of-market" broadcast stations, which were identified in my earlier correspondence to you. I assure you that we worked to minimize the disruption to viewers and to retain as many stations as possible, including all "in-market" stations. And, as out of market stations feature the same network programming already offered on the local, in-market broadcast stations, MetroCast customers in New Hampshire will continue to receive network programming.

Given the impact of Retransmission Consent, with this letter I have included an information packet that explains the issue of Retransmission Consent in detail and its effect on consumer rates and channel offerings. I also call your attention to press clippings that I have included on the same topic that make clear that this is not an issue isolated to MetroCast, but one that has impacted providers of video and their customers across the country.

Finally, as a Rochester-based communications provider that employs 148 local men and women (with taxable salaries exceeding $5.6 million a year), we, as a member of this community, take pride in our civic involvement, our contributions to various charitable organizations, and our concern for the communities we serve. We likewise renew our efforts every year to advance education through the "Cable in the Classroom" program and our provision of complimentary cable TV service to every elementary, junior and senior high school in the communities we serve, so that cable technology can support school curricula and ensure a stimulating learning environment for students of all ages.

Most of all, we strive every day to provide superior value to our customers by delivering high quality products and services our customers desire over our advanced fiber optic network. For this reason, we are grateful for the opportunity to serve MetroCast customers under our franchise agreement with the City of Rochester and look forward to continuing to provide residents here with the very best in video, high speed Internet and digital phone service in this new year.

If you have any questions concerning this letter, or the changes occurring due to Retransmission Consent, please do not hesitate to contact me at (603) 527-3634.

Sincerely,

Moira Campbell

Moira Campbell
Regional Manager

RETRANSMISSION CONSENT

A Primer for Franchise Officials

The following has been prepared for franchise officials to provide background information on the issue of Retransmission Consent, its impact on consumer rates, and its potential impact on broadcast channel offerings.

Retransmission Consent

"The Cable Television Consumer Protection and Competition Act of 1992" requires that a television station give its consent to a cable system or other multichannel video programming distributor (MVPD) to carry its broadcast signal. This process, which typically occurs every three years, is called "Retransmission Consent."

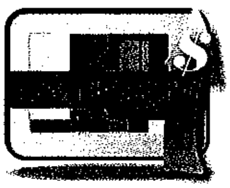
Television stations and cable systems, as well as satellite carriers, negotiate for this "retransmission consent," usually on a fee per subscriber basis. If the parties do not reach an agreement, then the cable system or other video provider must stop offering the stations to their subscribers.

Inside:

Higher Fees in 2012

- Most agreements with local broadcasters are expiring at the end of 2011 and must be re-negotiated by year's end. This year, local broadcast stations are demanding much higher fees for the right to retransmit their signals.

- Analysts expect that retransmission fees could increase from $1.14 billion in 2010 to $3.61 billion by 2017 (SNL Kagan). In some instances, average per-subscriber fees for cable MSOs are <u>*more than tripling*</u> over prior levels beginning in 2012.



As a result, the cost increases for broadcast stations will be dramatic and will impact significantly the prices customers will pay in 2012 for video services in every region of the country, regardless of whether the customer receives video service from cable, telephone or satellite companies.

- Since broadcast stations normally are carried on the lowest tier of video service (typically known as Basic, Economy Basic, or Lifeline service), *the price impact from rising Retransmission Consent costs will be most pronounced on this level of service.*

- The rate changes announced by MetroCast for January 2012 have been *consistent and comparable* to the rate increases announced by other cable companies and video providers.

Loss of Stations

As a further consequence of Retransmission Consent, MetroCast may no longer be able to carry certain "out-of-market" broadcast stations.

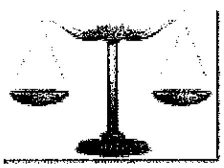
However, as these stations typically carry the same network programming already carried on local, "in-market" broadcast stations, MetroCast customers will continue to receive all major network programming.

In light of the above issues related to Retransmission Consent, MetroCast has informed customers that it no longer will be able to provide certain stations after December 31, 2011. We have provided a website link to our customers www.MetroCast.com/Retransmission for updates on Retransmission Consent and stations affected by the negotiations).

MetroCast
VIDEO • INTERNET • PHONE

MetroCast customers have been informed of rate changes and potential broadcast channel changes that go into effect January 2012 through a First-Class letter that arrived in customer homes at the end of November.

MetroCast and Retransmission Consent



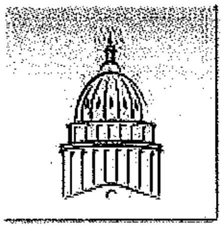
MetroCast is working in good faith to negotiate agreements that are fair to broadcasters and to our customers alike. While broadcast affiliates demand that these agreements be negotiated confidentially, we will propose rates that we believe represent the fair market value of the broadcast stations in each of our markets while being sensitive to the impact on consumer costs.

Through its association with the American Cable Association (ACA) and the American Television Alliance, MetroCast is pressing the FCC for changes in Retransmission Consent laws and regulations.

ACA, for example, has presented the FCC with multiple filings to demonstrate how the current marketplace harms both independent cable operators as well as consumers.

ACA and its members, including representatives from MetroCast, also regularly brief FCC Commissioners and their staff, as well as Members of Congress, to encourage prompt resolution of these issues in ways that are fair to all parties.

History of Retransmission Consent[1]



In 1992, Congress amended the Communications Act to give local broadcast stations the right to choose between guaranteed carriage ("must carry") or to insist that multichannel video programming distributors ("MVPDs") obtain – and potentially pay for – a station's consent to retransmit the station to subscribers in its local market ("retransmission consent"). The law allows broadcasters to make a new election between these two options every three years.

The broadcast industry's demand for the right to withhold permission for their signals to be carried represented a turnabout from their traditional insistence that, as a matter of public policy, local stations should be accorded a regulatory guarantee of carriage (known as "must carry"). Broadcasters historically sought to ensure that local stations would be available to all of the viewers in the communities the stations were licensed to serve. And, because cable carriage extends the geographic reach of over-the-air television stations and provides for consistently good quality reception not available with a rooftop antenna or rabbit ears, mandated carriage helped to foster growth in the number of broadcast stations available to the public.

But, after nearly 30 years of relying on must carry to build audiences, the broadcasters convinced Congress that retransmission consent was necessary to save "free" television and to ensure a diverse array of broadcast stations. In fact, retransmission consent is elected only by the most popular television stations and does not provide any benefit to smaller, independent stations.

What others are saying:

"Given the harm to consumers under the current system, and considering the significant marketplace developments since the retransmission consent regime was created in 1992, we believe that it is time for the Commission to reexamine its rules governing retransmission consent and act to protect consumers...who either lose access to broadcast programming or bear the increased costs of such programming in the form of more expensive bills from the pay-TV provider."

Rep. Steve Israel (D-N.Y.), Peter King (R-N.Y.)
Letter to FCC chairman Julius Genachowski
Signed by 11 other members of Congress
July 27, 2010

"Sports fans have become pawns in retransmission consent disputes. When a broadcaster wants to gain leverage in a retransmission consent negotiation, it threatens to take away games from sports fans. The Commission should protect fans from media conglomerates' brass-knuckled business tactics and prohibit broadcasters from blacking out sports during retransmission consent negotiations."

Sports Fans Coalition
Letter to FCC Chairman Julius Genachowski
June 14, 2010

"IPI believes that, in view of the changes that have occurred since the current retransmission regime was put in place, including both market and technological changes, it is appropriate for the Commission to consider improvements in the retransmission regime."

Bartlett D. Cleland
Director, IPI Center for Technology Freedom
Letter to FCC Chairman Julius Genachowski
June 3, 2010

[1] Source: The American Television Alliance www.americantelevisionalliance.org/history/

What others are saying

"We live in a very different world than we did in 1992 when the rules were written, and I think the Commission's decision to examine the retransmission consent regime is smart and appropriate. Disputes in recent years have become much more common, and will only continue to pop up more frequently in the future, with consumers threatened with the loss of the service they've paid for when they want it most."

Sen. John Kerry (D-Mass.)
March 22, 2010

"Recently, stations affiliated with the "Big Four" networks (ABC, CBS, NBC and FOX), and those stations actually owned by these networks (commonly referred to as owned and operated stations or "O&Os"), have insisted on exorbitant cash payments for carriage of their local signals. Facing the prospect of losing the broadcast signal in its entirety, MVPDs have little choice but to capitulate, even if it means higher rates for subscribers."

American Television Alliance

From the outset, the cable industry expressed concerns that giving broadcasters the right to block the retransmission of their signals by MVPDs would create undue leverage for the broadcasters, and ultimately harm consumers by leading to the disruption of service, and to increases in the cost of service. In addition, the motion picture industry voiced concern that granting broadcasters a retransmission consent right was inconsistent with the cable compulsory copyright license, which was adopted in 1976 in order to guarantee that cable subscribers would have uninterrupted access to broadcast programming.

The congressional response to these concerns was twofold:

1. Service disruptions would be rare because each party to the negotiation needed the other and had no alternative – there was typically only one cable operator in a given market negotiating with only one provider of each networks' programming; and

2. The FCC had the authority not only to step in if retransmission consent negotiations reached an impasse, but also to ensure that retransmission consent did not drive up subscriber rates. The initial rounds of retransmission consent negotiations between broadcasters and cable operators rarely resulted in service disruptions or direct increases in basic cable rates.

Although cable operators generally resisted broadcaster demands for cash compensation on the grounds that the programming was available "off-air" for free and that paying for local signals that had long been carried by the operator would increase consumer costs with no accompanying increase in consumer value, some operators and broadcasters entered into retransmission consent agreements that provided for the carriage of one or more new channels of non-broadcast programming created by the broadcaster.

As broadcasters began transmitting over-the-air HDTV signals, carriage of those signals (at a time when relatively few consumers were HDTV equipped) sometimes became part of the consideration for retransmission consent for carriage of a station's analog signal.

In other cases, operators would agree to purchase advertising time or to provide other forms of marketing support to the broadcaster.

What others are saying:

"There's no reason why millions of cable consumers across the country should start off the New Year tomorrow without access to important news and emergency information provided by local FOX affiliates. Even if Time Warner Cable (TWC) and the News Corporation, which owns the FOX stations, are unable to strike a deal by midnight tonight, the two companies should at least agree that these consumers – who include large numbers of African Americans, Latinos and seniors in the markets in question – should continue to receive the programming that they've come to rely on."

Wade Henderson
President and CEO of the Leadership Conference on Civil Rights
December 31, 2009

"I am writing in my capacity as Chair of the New York City Council's Committee on Technology and on behalf of my constituents to urge the Federal Communications Commission to address the broken framework of retransmission consent."

Daniel R. Garodnick
New York City Council Member
July 14, 2010

"The Commission must act to shift the balance of power to the public...The Commission's aim should not be to pick winners and losers in industry disputes, but rather to protect families and consumers."

Dan Isett
Director of Public Policy for Parents Television Council
Comments on Petition for FCC to Amend Rules Governing Retransmission Consent
May 18, 2010

Recently, stations affiliated with the "Big Four" networks (ABC, CBS, NBC and FOX), and those stations actually owned by these networks (commonly referred to as owned and operated stations or "O&Os"), have insisted on exorbitant cash payments for carriage of their local signals. Facing the prospect of losing the broadcast signal in its entirety, MVPDs have little choice but to capitulate, even if it means higher rates for subscribers.

When the retransmission consent regime was adopted in 1992, cable operators were the only entities offering multichannel video service to subscribers in most locations. Much has changed since that time, and today consumers typically can receive multichannel video service not only from a cable operator, but also from two different DBS companies and, increasingly, from a well-funded telco-video provider. As a result of this increase in competition at the retail level, each broadcaster in a local market can play one MVPD against the other, threatening to withhold consent for its signal if its demands are not met. The broadcaster in these scenarios often encourages competing MVPDs to advertise the service disruption of its competitor and encourages consumers to switch their MVPD provider to avoid any service interruption. Unlike many competitive marketplaces, the unique nature of some Big Four programming and the fact that consumers typically receive all of their video programming from a single MVPD, rather than simultaneously obtaining different products from different vendors, leads to rapidly escalating costs to the consumer in the form of higher fees for retransmission consent rights.

In addition, broadcasters now can own more stations nationally due to relaxation in media ownership rules, and station owners have increasingly entered into local marketing arrangements that allow a single broadcaster to leverage the retransmission consent rights of multiple stations in the same community. These trends, which have been facilitated by government rules and policies, give broadcasters enormous leverage which they then use to force MVPDs to meet their demands.

On the other hand, MVPDs have no other options when it comes to negotiating with the local station. Regulatory obstacles, including network non-duplication and syndicated exclusivity rules, impede

MVPDs from negotiating with network affiliates in neighboring markets as a way of reducing the local station's leverage.

Furthermore, in recent years, when negotiations have reached an impasse, the FCC has not stepped in to prevent signals from being dropped – through interim carriage or other measures – even when a complaint has been filed. Either the FCC does not believe it has the authority to act, or it is reluctant to exercise that authority. In either event, MVPDs are left with no recourse when faced with the irreconcilable dilemma of choosing between paying exorbitant fees for broadcast signals or risk losing those signals altogether.

Given the changed circumstances in the market since 1992, it would be appropriate to initiate a comprehensive review of the retransmission consent regime to determine whether changes are necessary to protect consumers from the threat of service disruptions and increasing video service prices driven by programming costs.

Why rules need to change

The market has changed dramatically since 1992, but the rules governing broadcast television have stayed the same. From the digital transition to the Internet revolution, there has been a tremendous innovation in how consumers view traditionally "free" over-the-air broadcast programming, while rules governing the industry have stayed the same.

- The explosion of new means of access available to consumers has also transformed the market landscape. Two decades ago most consumers had only one choice for pay TV service – cable, but today consumers have many choices, and alternative online TV distribution services are on the horizon.
- Broadcasters are increasingly making shows available online for free while demanding hefty retransmission fees from distributors for the same programming.
- The world has changed while the rules governing a large and vibrant industry have not. The FCC must change the broadcast television rules to protect consumers and keep up with the innovations and changes in the market.

The current system creates an artificial market that favors one industry over another

- The playing field is not level – the "Big 4"broadcasters – ABC, CBS, NBC and FOX- and their local station affiliates have a guaranteed monopoly for their must-have programming because of retransmission consent rules and other unique government-provided privileges.

- The existing negotiating environment is lopsided. There is only one option for shows consumers expect to be able to view, but fierce competition among distributors. This allows broadcasters to play distributors against each other in local markets while threatening service to consumers.
- The Office of Advocacy of the Small Business Administration has found that many small cable operators have little choice but to capitulate to the "take it or leave it" demands of bigger and better funded broadcasters. And the larger video distributors are in no better position to resist when broadcasters threaten to withhold their "must-have" programming.

Broadcasters are putting consumers in the middle during retransmission negotiations

- By timing the expiration of carriage agreements before big television events, broadcasters hold viewers hostage by threatening to shut off access to content in order to demand an extortion rate from distributors. FOX and ABC used this tactic earlier this year, creating anxiety and uncertainty in viewers on the eves of the Super Bowl and the Oscars. In early 2007, station owner group Sinclair followed through on threats to blackout the NFL playoffs from Mediacom customers. Sinclair again threatened to withhold the NFL playoffs from Mediacom customers in early 2010.
- Broadcasters disregard the inconvenience and costs they could cause for consumers when access is threatened, suggesting subscribers turn back the hands of time by buying "rabbit ear" antennas to pull in local stations or take time off of work to arrange installation from a different pay TV provider. Switching may not even matter, because the new provider may have a similar dispute in the future.
- To offset swelling retransmission fees, distributors will be forced to scale back capital investment and/or raise consumer prices. Most at risk are low income and elderly populations that rely on the entry TV packages and rural communities desperate for access to broadband Internet. Programming diversity also stands to suffer as independent programming and distributor-funded public access channels will face the chopping block if television providers continue to face expanding retransmission costs.

For More Information:

American Television Alliance www.AmericanTelevisionAlliance.com

American Cable Association www.americancable.org/

MetroCast Communications www.MetroCast.com/Retransmission

See also attached a sample of news articles on the issue of Retransmission Consent. These are condensed or excerpted segments of full articles. For the complete articles, see the source links provided.

THE BUSINESS OF TELEVISION
BROADCASTING&CABLE

Nexstar Eyes $2 Per Subscriber Retrans Fees

By Michael Malone, 12/6/2011

Perry Sook, Nexstar's chairman, president and CEO and one of the fiercest advocates of retransmission consent cash, said $1.50-$2 per subscriber, per month is a realistic goal for station groups. Addressing a roomful of bankers at the UBS Global Media and Communications Conference in New York, Sook said it might take six years, or longer, to reach $2 a head. But he sounded a vote of confidence in NBC's hopes to represent its affiliates on retrans deals, and said such a model--adopted by all Big Four broadcast networks--would help attain that fee level.

"If the networks can come together [with their affiliates], I think we might get there faster," he said.

Sook said stations represent 40% of the viewing for subscription-TV services, but take just 5% of the distribution revenue.

Nexstar spent much of 2011 battling with Fox over affiliation agreements before the parties severed ties in several markets. Sook said Nexstar's eight remaining Fox affiliates have inked agreement extensions.

Sook professed Nexstar's commitment to local news, and local ad sales, describing local programming as "the key to the front door" for the broadcast group.

Nexstar would continue to garner management fees from Four Points until its acquisition by Sinclair closes, Sook noted, and the group is "in discussions with other groups" to iron out new station management pacts.

Source: www.broadcastingcable.com/article/477555-UBS_Conference_Nexstar_Eyes_2_Per_Subscriber_Retrans_Fees.php

TVB | TELEVISION™ BROADCAST

September 28, 2011

Retransmission Consent fees grow 46.7% in 2010 to $1.03 billion

NEW YORK: The broadcast TV industry will take a hit this year but grow steadily through 2015, according to the latest forecast from Veronis Suhler Stevenson. Without ad dollars spent on Olympics and elections, broadcasters are looking at a 0.6 percent dip this year, despite gains in online, mobile and retransmission revenues. Broadcast TV spending is poised to rise, but nowhere in the neighborhood of pay TV.

Broadcast growth will come from getting a piece of the pay TV action in the form of retransmission, as well as from digital platforms.

Spending on broadcasters' online and mobile platforms rose 20.7 percent in 2010 to $3.96 billion, due mostly to increased advertising on network-supported websites and higher spending on mobile content and ad applications for smartphones and tablet computers. Online and mobile platforms posted a CAGR of 38.2 percent for the 2005-10 period.

Retransmission consent fees grew 46.7 percent in 2010 to $1.03 billion, as broadcasters demanded higher rates from cable, satellite and telco video operators.

Source: http://www.televisionbroadcast.com/article/124804

MediaDailyNews

TV Retrans Revs To Grow To $3B By 2015

by Wayne Friedman, Tuesday, November 1, 2011

TV networks' new sources of revenue -- retransmission revenue from cable, satellite, and telco operators, plus a share of retransmission dollars of their local TV affiliates -- could grow to $3 billion in four years.

SNL Kagan estimates that this year, News Corp. broadcast networks (Fox and MNT), Comcast (NBC and Telemundo). CBS Corp. (CBS and CW) and Univision will reach just over $1 billion. The largest, dominating share of that money comes from multichannel services like cable operators -- $861 million -- with $146 million coming from their TV station affiliates.

For 2011, the biggest broadcast network in terms of retrans fees is Univision at $303 million, followed by News Corp. at $257 million; CBS at $181 million; Disney at $104 million; and Comcast (for NBC and Telemundo), a slower starter, at just $16 million.

But all this will change by 2015. SNL Kagan estimates revenues from cable networks, satellite, and telcos, will bring News Corp. $459 million; CBS, $398 million; Univision, $378 million; Comcast, $263 million; and Disney, $205 million.

SNL Kagan says in that year, revenue from its TV affiliates will be at near-parity to that money coming from multichannel services: CBS will get $368 million; News Corp., $341 million; Comcast, $288 million; Disney, $267 million; and Univision, $27 million.

Source: http://www.mediapost.com/publications/

Los Angeles Times | BUSINESS

September 14, 2011

NBCUniversal anticipates big bucks in retrans fees

For more than a decade as a top executive at Comcast Corp., Steve Burke did all he could to stop the the cable operator from paying cash to broadcast networks in return for carrying their programming.

Now as chief executive of Comcast's NBCUniversal, Burke is salivating at getting big bucks from multichannel video programming distributors in so-called retransmission consent fees for NBC.

Fees from distributors along with a cut of revenue that NBC affiliates get as well should add up to "hundreds and hundreds of millions of dollars," Burke said Wednesday at the Bank of America Merrill Lynch Media, Communications & Entertainment Conference held in Beverly Hills.

Although acknowledging that retransmission consent is not a good thing for the parent firm, Burke said it will be a "very good thing" for NBC and was not even something Comcast had factored in when making plans to buy control of the content company from General Electric Co. in 2009. He said he does not expect NBC to be as vocal as Fox, CBS and ABC about retransmission consent fees, but thinks the network should land the same dollars.

Source: *http://latimesblogs.latimes.com/entertainmentnewsbuzz/2011/09/nbcuniveral-steve-burke-retransmission-fees.html*

NEW YORK POST

NBCU to pursue "hundreds of millions" of dollars in retransmission fees

By CLAIRE ATKINSON
September 15, 2011

That's one wicked about-face for Steve Burke. The Comcast executive, after fiercely resisting for 12 years paying broadcasters any retransmission fees, appeared to find religion yesterday, surprising a media conference audience by promising to doggedly pursue "millions of dollars" in -- wait for it -- retransmission fees for his NBCU unit.

"Retransmission consent dollars is not a good thing for the cable side of Comcast, but it's going to be a very good thing for NBCU," he told a host of investors at Bank of America's annual media conference.

Burke said: "It will be hundreds and hundreds of millions of dollars for NBC. I don't think we're going to be leading the charge, but we will try to get compensation similar to CBS, ABC and Fox."

Burke is looking for cable, satellite and telco companies to pay to carry programming carried by owned stations and affiliates.

Fellow broadcast networks are gaining anywhere between 25 cents a month to 75 cents a month per subscriber and NBCU, which has two broadcast networks, NBC and Telemundo, wants its slice of the action.

"They're saying, 'Let's get on the retransmission bandwagon for as much as we can,'" said one senior industry executive.

"The RSNs [regional sports networks], retransmission consent and sports, they're all the money hogs in the process," said one upset content boss who fears distributors will shrink the pie for all the other players seeking affiliate fee increases because of the moves by NBCU, CBS and other broadcasters.

Comcast will see retrans revenue jump from $109 million in 2011 to $147 million in 2012, based on its ownership of NBC and Telemundo TV stations, according to SNL Kagan.

By comparison, News Corp., which owns The Post, is forecast to reap twice that figure, at $308 million in 2012.

Rocco Commisso, CEO of Mediacom, a Middletown, NY-based cable operator, has been petitioning the Federal Commission Commission to look at such retransmission fees charged by broadcast networks.

Commisso told The Post, "It seems like the FCC is more concerned about bringing broadband to low-income households, as opposed to taking care of the consumer pocketbook by dealing with retransmission consent dollars."

Source: http://www.nypost.com/p/news/business/ca_ble_converter_l58n52YoCc5FrTVjwBrbbL#ixzz1fg2AIfCn

SNL Kagan

Higher Retransmission fees: $3.6 billion over next 6 years.

May 25, 2011 - Although TV station owners' share of retransmission dollars is under siege, SNL Kagan expects that total national retrans revenues will continue to rise thanks to the steady upward pressure on the monthly fees paid by multichannel operators to TV stations.

SNL Kagan's study projects that total industry retrans fees could increase from $1.14 billion in 2010 to $3.61 billion by 2017, with average per-sub fees for cable MSOs potentially more than doubling over time from their 2010 levels through 2017.

Retrans fees have continued to grow in importance for TV station owners, with retrans revenues disclosed by public companies rising from $631 million in 2009 to $766 million in 2010. For the pure-play TV station owners we analyzed, the revenue stream was equal to 52% of their cash flow on average in 2010 and can equate to as much as 76% of cash flow.

SNL Kagan's analysis shows that retrans fees could rise 28% this year from $1.14 billion to $1.46 billion, thanks to more agreements being struck at progressively higher levels between distributors and carriers. Because of the number of subscribers, most of the fees are being paid by cable MSOs, which could pay more than $824 million in retrans fees this year, versus $484.2 million for DBS and $147.1 million for telco TV operators. TV station operators continue to strike and renew deals with all multichannel operators, now with the added wrinkle that the retrans revenue earned is increasingly being shared at various levels with their broadcast network partners.

Source: http://www.snl.com/InTheMedia.aspx#

Scripps, Nexstar grow retransmission revenue by 30%

Retransmission consent continues to be the biggest area of revenue growth for local broadcasters, with station group owners E.W. Scripps Company and Nexstar Broadcasting both reporting more than 30 percent gains in the fees they collect from cable and satellite TV providers.

Scripps reported Tuesday that it booked $4 million in revenue from retransmission consent deals during the third quarter, up 32 percent from the same period last year. Nexstar said that it collected nearly $10 million in retransmission consent fees during Q3, which was a 30.5 percent increase from this time last year.

LIN TV reported similar increases in retransmission consent fees when it reported earnings last week.

Nexstar was one of the first station group owners to pull its signals from cable operators until they agreed to pay increased fees. It spent most of 2005 battling with Cable One over retransmission consent fees, and has also had disputes with Cox Communications.

11/08/11: Source: http://www.fiercecable.com/print/node/5679

LIN TV banks on retransmission consent fees to survive

A quick look at LIN TV's dismal third-quarter earnings report [2] Thursday morning reveals why the broadcaster has been hammering cable operators [3] such as Mediacom Communications to pay it huge increases in retransmission consent fees.

Operating income dropped to $20.6 million for LIN, down more than $6 million from this time last year. Its net revenue fell 3 percent to $100.8 million, and its political ad revenue plummeted 78 percent to $2.8 million.

The one bright spot for LIN TV was its digital revenues, which include retransmission consent. The company saw its digital revenues jump 38 percent during the third quarter to $22.1 million.

LIN TV is the broadcaster that recently pulled its stations from Mediacom subscribers for six weeks, until the MSO agreed to pay it increased fees to carry its stations. While LIN and Mediacom never disclosed terms of the agreement, the hike in retransmission consent fees is already beginning to show up in LIN's earning reports.

Like most broadcasters, LIN is struggling to maintain ratings for it stations that carry programming from ABC, CBS, Fox and NBC. It faces ratings erosion from viewers watching original programming on cable networks, and its local sales team faces increased competition from cable operators selling local advertising avails for ESPN, USA Network, and other cable networks that give cable operators local ad inventory.

LIN isn't the only broadcaster counting on retransmission consent to grow revenue. SNL Kagan [4] expects that broadcasters News Corp., Comcast and other companies that own TV stations will generate $3 billion annually from retransmission-consent revenue by 2015. Retransmission terms were one of the deal points that Fox and DirecTV addressed in their recent distribution deal, which came hours before DirecTV planned to drop Fox's cable networks.

Ad revenue at LIN and other station group owners may fluctuate from month to month, but one thing it they will be able to bank on [8] each year is a check from Mediacom and other cable affiliates for retransmission fees.

11/04/11: Source: http://www.fiercecable.com/print/node/5662

FCC asked to Complete Retrans Proceeding in time to impact upcoming retrans negotiations

By John Eggerton 10/21/2011

Rep. Charles Bass (R-N.H.) has written the FCC asking it to act on its open retransmission consent reform proceeding in time to impact upcoming retrans negotiations.

The FCC voted unanimously last March to issue a notice of proposed rulemaking (NPRM) to clarify what constitutes good faith bargaining and potentially take some other steps, including proposing eliminating the syndicated exclusivity and non-duplication in the event of retrans impasses to give cable operators an alternative source of station programming. But it has yet to act on its proposals.

With a boatload of retrans deals up by the end of this year, Bass "encouraged" FCC Chairman Julius Genachowski in a letter dated Friday (Oct. 21) to complete the proceeding in time for the decision "to inform this year's retransmission consent negotiations," a point he made twice in the letter using almost identical language.

That is something the American Cable Association, which represents small and midsized providers, has been urging as well. Bass said that he has heard from a number of his state's smaller pay TV providers that "increasingly frequent negotiation breakdowns and rising retransmission consent fees result in both significant inconvenience and cost to consumers."

The FCC NPRM issues from the starting point that the FCC does not have the authority to mandate carriage or arbitration. But it does suggest a number of possible changes, specifically to "provide more guidance to the negotiating parties on good-faith negotiation requirements; improve notice to consumers in advance of possible service disruptions caused by impasses in retransmission consent negotiations; and eliminate the commission's network non-duplication and syndicated exclusivity rules, which provide a means for parties to enforce certain exclusive contractual rights to network or syndicated programming through the commission rather than through the courts."

Other issues raised include the impact of early termination fees on the ability to switch providers to avoid blackouts, whether networks should be allowed to negotiate retrans for affiliates, and whether a station should be able to negotiate for a station it operates under a joint services agreement.

THE HILL

Broadcast blackouts – where are we with reform efforts?

By Indiana State Rep. Mara Candelaria-Reardon - 07/06/11

The threat of TV blackouts is never welcome news. For the millions of consumers unlucky enough to have had to worry about their favorite shows going dark, or actually losing their signals, the problem is not only real but frustrating and inconvenient. So what's being done about it?

Blackouts occur when video distributors (such as cable, satellite and telephone companies) are unable to reach agreement with television stations over "retransmission consent" fees. These disputes frequently blow up into public relations battles with each side blaming the other and consumers getting caught in the middle. At worst, TV stations pull the plug and their channels go dark for days and sometimes weeks.

Why is this happening? Broadcasters say it's because they need more money to pay for programming, so they have to charge higher rates. Program distributors say it's because broadcasters have the incentive and ability to play hardball, since there is usually more than one distributor in each local market to keep carrying the station. We see it happen in large markets and small ones.

But it doesn't need to continue. Community groups including the National Hispanic Caucus of State Legislators have urged the Federal Communications Commission, which has sweeping authority to regulate broadcasting in the public interest, to reform the retransmission consent rules. No one disagrees that the negotiation process should remain between the companies involved, but consumers should not be caught in the middle. Broadcasters argue that providing viewers with more notice of an impending blackout is sufficient. But this approach does nothing to solve the problem of threatened and actual blackouts. In fact, it ensures that consumers will be used as pawns in the negotiation process.

For the Spanish speaking community in particular, this problem should not be taken lightly. It could mean the loss of Spanish language news, the only information access point for many Latino households. Or it could mean just the time and effort to consider switching providers and making an appointment during work hours or limited family time to actually switch. Those are big burdens to put on our community.

The fact is the current retransmission consent rules no longer make sense. Without reform, blackouts will continue to occur, prices will keep going up, and consumers will continue to be inconvenienced as a result of these contentious negotiations. The American consumer deserves better.

State Representative Mara Candelaria-Reardon represents the state of Indiana's House District 12. She is also a member of the National Hispanic Caucus of State Legislators, the preeminent organization serving and representing the interests of Hispanic state legislators nationwide.

Source: http://thehill.com/blogs/congress-blog/technology/169841-broadcast-blackouts-where-are-we-with-reform-efforts

THE HEARTLAND INSTITUTE

FCC regulations “hamper competition and harm consumers”

Marc Oestreich – March 25, 2011

Increasing broadcast retransmission fees have caused much tension between multichannel video programming distributors (MVPDs) and broadcasters. This has led to blackouts, often of major television events, when the two sides cannot reach agreement. These disputes are not normal market realities but instead a product of the FCC regulatory atmosphere, which introduces a host of major biases into the market.

The FCC’s “must-carry” rules, for example, force MVPDs (such as Comcast, AT&T U-verse, DirecTV, and Dish Network) to carry broadcaster content they otherwise might not. When broadcasters do have valuable content, they can opt-out of the “must carry” deal and negotiate a higher price with the MVPD. The “network non-duplication” and “syndication exclusivity” rules bar MVPDs from getting content from all but the most local network affiliate, allowing local stations to monopolize content and name their price.

These rules prevent cable companies from negotiating with multiple providers to find the best price for content; instead they are held hostage to the whims of local broadcasters who own popular network programming, syndicated shows, and sporting events. In 2009, cable and satellite companies paid broadcasters approximately $738 million in retransmission fees. By 2015 the figure is expected to reach as much as $1.6 billion. Additionally, MVPDs are forced to carry content they might consider worthless but which local broadcasters choose to run.

Many of these regulations are the product of the Cable Act of 1992, which was built on the premise that cable companies would inherently monopolize content. If that was ever true, it is certainly not so today. Direct-broadcast satellite (DBS) services (DirecTV, Dish Network), telephone-based services (Verizon, AT&T U-verse), and Internet-based services (Apple TV, Netflix, GoogleTV) have made competition for providing content often a battle among three or four companies.

Bruce Owens of the Free State Foundation describes what the market would be like if FCC regulations originating in the Cable Act of 1992 were eliminated: “MVPDs would acquire program rights directly from the program content owners. Without broadcasters to tax MVPDs and viewers, there would be more programming and lower program prices.”

Instead of issuing a new set of rules regulating retransmission negotiations, the FCC should eliminate its outdated regulations that hamper competition and harm consumers.

TVNewsCheck
THE BUSINESS OF BROADCASTING

ACA Asks FCC To End Retrans 'Price Fixing'

May 31, 2011

In what it calls an effort to "inject free-market competition into retransmission consent," the American Cable Association is urging the FCC to adopt rules that would ban separately owned broadcasters from bargaining "as a collusive unit within the same market and outlaw broadcast networks and TV stations from interfering with cable operators' rights to carry distant network signals that customers have historically received and valued."

In comments filed with the FCC claiming an urgent need for retransmission consent reform, ACA requested agency action this year in time for new rules to apply to thousands of retrans agreements set to expire on Dec. 31.

ACA's comments detailed 36 instances of such coordinated negotiations -- including the names of the broadcasters involved and the markets where such coordination is occurring — that ACA members have experienced in just the last three years.

"Broadcasters said ACA would find no actual occurrences of coordinated negotiations, and ACA responded by laying the facts on the table for the FCC to review," ACA President-CEO Matthew M. Polka said. "The question of whether broadcasters are colluding is no longer in doubt. We have the proof, and now the FCC does as well.

"Everything ACA has proposed responds to systemic injurious practices by broadcasters that occur during retransmission consent negotiations, meriting a firm regulatory response to protect the public interest. Behavior we're seeing from broadcasters, undeniably motivated by greed, is inconsistent with a competitive marketplace and long-established policy of Congress and the FCC," Polka added.

ACA pressed the FCC to stipulate that independently owned TV stations that engage in coordinated bargaining are per se violations of their legal obligation to bargain in good faith.

ACA also proposed extension of the per se rule to any TV station or broadcaster network (in other words, "a third party") that interferes with consumers' legal rights to view eligible distant TV signals from their cable operator. ACA offered two examples of this: First, TV stations withholding retransmission consent from cable operators unless they agree not to carry any out-of-market stations, even where such carriage is permissible under existing law; second, TV stations contractually relinquishing to their network the right to grant out-of-market station carriage rights to a cable operator that is otherwise permitted to provide such stations to its customers.

"Coordinated retransmission consent negotiations by same-market broadcasters not under common ownership are prevalent, a reliance on collusion to grab more cash from cable consumers," Polka said. "Likewise, the requirement that a broadcaster negotiate in good faith applies to all negotiations, both to in-market signals and out-of-market signals. The FCC should stop any TV station that would attempt to exclude cable carriage of distant network signals where long-standing Congressional and FCC policy has permitted such carriage of these signals. The FCC should flatly prohibit third-party interference regarding the exercise of retransmission consent."

In addition, ACA noted that the FCC's "well-intentioned proposal to prohibit coordinated negotiations by means only of a legally binding agreement between broadcasters is susceptible to evasion and that the FCC must address not just formal coordination but also less formal methods of coordinated action designed to exercise the same degree of market power over cable operators, especially small and midsize companies serving rural markets." ACA pointed out that two stations could have an informal, non-binding agreement not to conclude a retransmission consent agreement with an ACA member until both stations were satisfied with the size of their fees.

Consistent with an array of groups deeply troubled by current retransmission consent rules, ACA called on the FCC "to recognize that existing rules unmistakably yield very little except higher basic cable rates and rank tribute to TV station owners that all too frequently rely on strategically timed signal blackouts to disrupt the normal course of pay-TV competition for their own unjust enrichment."

In its comments, ACA submitted what it called "a comprehensive template for constructive change," supported by extensive survey data across dozens of TV station markets and economic analysis by former FCC Chief Economist William Rogerson on the scope of the competitive harm. In addition, ACA members committed to disclosure of their retransmission consent fees schedules if granted waivers by broadcasters to do so or compelled by an FCC production order to place this information in the record on a confidential basis.

With the assistance of its members that had to contend with coordinated negotiations since 2008, ACA identified 36 pairs of broadcasters that it claimed are coordinating their retransmission consent negotiations in an effort to extract higher retrans payments than they could by acting independently.

ACA pointed to record evidence before the FCC that when two Big Four affiliates are coordinating retransmission consent negotiations, they receive at least 22 percent more in carriage fees than Big Four affiliates that bargain on their own.

As part of ACA's FCC filing, ACA cited a previously submitted report by Rogerson, a professor of economics at Northwestern University, that determined that independent cable operators pay retransmission consent fees twice as high as the fees paid by the country's largest pay-TV providers and that about 50 percent of all programming cost increases are passed along to customers in the form of higher subscription rates. The remainder, the group claimed, "is absorbed by ACA members, which are left with far less capital to deploy broadband Internet in rural America or improve the performance of existing facilities in their high-cost and low-density locales."

ACA warned the FCC that retransmission consent would likely fail to protect consumers adequately unless it also addressed widespread price discrimination aimed at smaller cable operators. ACA said it agreed with parties that to protect consumers from TV station blackouts, the agency must exercise its legal authority to order interim signal carriage while reviewing a retransmission consent complaint.

Source: http://www.tvnewscheck.com/article/2011/05/31/51572/aca-asks-fcc-to-end-retrans-price-fixing.

The New York Times

Networks Want Slices of a New Pie

July 3, 2011 By BRIAN STELTER

Two weeks ago, KSFX, a Fox television station in the Ozarks, told its viewers that the Fox part was going away in the fall. The station said it would still show all of its local newscasts, but the station's fans on Facebook had other concerns. What about "American Idol"? they asked. What about "Bones"?

Those shows, and the rest of Fox's prime time, will be carried instead by a competing station in southern Missouri, because KSFX's parent company, the Nexstar Broadcasting Group, refused to pay a new fee imposed by Fox, a unit of the News Corporation.

The fees, sometimes called reverse compensation, are changing the relationship between the broadcast networks and the local stations that carry their programs in big cities and small towns across the country.

In recent years, the stations — including some that are owned by the networks — have wangled lucrative new fees from cable and satellite operators for the right to retransmit the local stations' signals. Now the stations are finding that the networks want a big piece of the bounty.

It is the second front of the TV retransmission war.

The networks say they need the new fees from stations to keep supplying prime-time programs and sustain profitability for their parent companies, imitating the cable channel model of a dual revenue stream of advertising and subscriber fees.

"We think that being a Fox affiliate is worth something," said Michael C. Hopkins, the president of affiliate sales for Fox, which has taken the most aggressive stance of all the networks and has severed its ties with three Nexstar-owned stations this year.

Most stations have agreed to the new terms, but others have objected. Perry A. Sook, the chairman and chief executive of Nexstar Broadcasting, said Fox's proposal was unprecedented in its size and scope.

"Given the limited amount of regularly scheduled programming Fox provides to local stations compared to ABC, CBS and NBC, we just cannot make their numbers work," he said in an e-mail message, declining to comment further. (Fox supplies two hours of prime-time programming each night, while others supply three.)

The money at stake is significant. SNL Kagan, a research company, estimates that retransmission fees to local stations from cable and satellite operators accounted for $1.14 billion in revenue last year, and that the revenue will grow to $3.6 billion annually by 2017. The fees are passed on to consumers in the form of higher bills for cable and satellite services.

The government is contemplating changes in the retransmission negotiation process, since some cable companies say it currently favors the stations and causes occasional blackouts for customers. One such blackout of the New York-area ABC stations for Cablevision customers last year made national news because it cut off the beginning of the Academy Awards telecast...

Source: http://www.nytimes.com/2011/07/04/business/media/04retrans.html?_r=2 telecompetitor

Retransmission Consent Fees: Get Ready for Them to Double

5/27/11 at 1:33 PM by Andrew Burger

TV station owners' national retransmission revenues will continue to grow even as their share of the total pie is whittled away, according to a report from SNL Kagan. Total industry retrans fees could grow from $1.14 billion in 2010 to $3.61 billion in 2017, according to SNL Kagan's projection.

Average per subscription fees for cable MSOs have the potential to more than double between 2010 and 2017, more than offsetting slower potential growth in the total number of multi-channel subscriptions due to OTT substitution and other factors, SNL says.

Retrans fees could increase 28% this year from $1.14 billion to $1.46 billion, as deals are being struck between distributors and carriers at progressively higher rates, according to SNL's analysis. "Most of the fees are being paid by cable MSOs, which could pay more than $824 million in retrans fees this year, versus $484.2 million by DBS (Direct Broadcast Satellite) and $147.1 million for telco TV operators," according to a press release.

Retrans fees have become increasingly vital to TV station owners, the firm's researchers point out. Retrans revenues disclosed by public companies rose from $631 million in 2009 to $766 million in 2010. For pure-play TV station owners, the retrans revenue stream made up 52% of average cash flow in 2010, going as high as 76%.

"Overall for the industry, there is no turning back from the push for higher retrans fees, given the continued strong differential between the fees paid for certain cable networks versus what broadcast network O&O stations with significantly more viewers receive," according to SNL.

Los Angeles Times

Broadcast networks will rake in retransmission fees, report says

November 1, 2011 | 12:24 pm

Programmers and professional sports leagues may start salivating after reading a report on all the money the broadcast television networks are expected to get in the next few years from distributors and their own affiliates.

According to consulting firm SNL Kagan, the networks — Fox, CBS, NBC, ABC, CW and Univision — will take almost $3 billion in 2015 in money tied to so-called retransmission consent fees that distributors such as cable and satellite companies pay broadcasters to carry their signals.

Of that amount, the distributors are expected to pay $1.7 billion directly to the networks for programming on network-owned local stations, Kagan estimates. The broadcast networks also will get $1.3 billion in 2015 as their cut of fees that the distributors will pay network affiliates, Kagan says.

Among the networks, News Corp.'s Fox has been the most aggressive in collecting revenue from retransmission fees. Kagan estimates that this year Fox will take in $257 million in such revenue from distributors plus $39 million from Fox affiliates. By 2015, Kagan predicts, those numbers will grow to $459 million and $341 million, respectively.

NBC has the most to gain from retransmission fees. In 2011, Kagan has NBC getting only $16 million in fees for the stations it owns and just $5 million from its affiliates. By 2015, Kagan predicts NBC will be getting $263 million for its stations (including Telemundo) and $288 million from affiliates.

Distributors have been griping for some time about rising retransmission consent fees and have even requested that the Federal Communications Commission weigh in with new rules over how deals are negotiated. Broadcasters are resisting such a regulatory effort.

— Joe Flint

Source: http://latimesblogs.latimes.com/entertainmentnewsbuzz/2011/11/broadcast-networks-retransmission-consent-fees.html

Multichannel NEWS

Broadcasters Feel Squeeze — and Will Hike Fees

Moody's Analyst Sees Retrans Bills Rising Three-Fold by 2017

By Mike Farrell -- Multichannel News, 12/5/2011
As they near the next round of retransmission-consent negotiations, broadcasters are under added pressure to raise fees as their networks continue to up the ante for reverse compensation, according to a report by credit rating agency Moody's Investors Service.

Moody's expects retrans fees to triple to $3.6 billion by the end of 2017, mirroring a May report by cable and broadcast research giant SNL Kagan. As the retransmission-consent season begins to heat up, cable, satellite and telco distributors are bracing for what could be a contentious negotiating round.

Many retransmission deals expire at the end of December. Both Mediacom Communications and Suddenlink Communications have said publicly that more than 70 deals each inside their footprints come up for renewal at the end of the month.

The American Cable Association, a lobbying group representing more than 900 small, independently owned cable operators, has said that their members are gearing up to renew more than 200 retransmission deals by the end of the year.

Networks began to test the reverse- compensation waters a few years ago, and now most major broadcasters — ABC, CBS and Fox — are receiving some form of compensation from their affiliates. NBC, part of the NBCUniversal joint venture controlled by Comcast, has said it will request reverse compensation from its affiliates and is expected to reach an overall agreement before the end of the year. NBC, like other major broadcast networks, has also expressed a desire to negotiate retransmission consent agreements for its affiliates as well as its owned-and operated stations, a move distributors have opposed.

Kagan, in a November report, estimated that reverse compensation fees would rise from $146 million in 2011 to a hefty $1.3 billion by 2015.

That will put more pressure on station groups as they are required to pay reverse-compensation fees to their respective networks, wrote Moody's vice president and senior analyst Carl Salas. Salas estimated station groups will pay about half of their retransmission compensation back to their networks in the form of reverse comp.

While that could be a severe blow to broadcasters, Salas, like other analysts, expects that broadcasters will simply double their fees from distributors to make up the difference. "For now, we expect most broadcasters will agree to pay reverse compensation to the networks, with the expectation that they can off set some of these fees with higher retransmission fees." ...

Source: http://www.multichannel.com/article/477453- Broadcasters_Feel_Squeeze_and_Will_Hike_Fees.php

FierceCable

Hearst says it may pull stations from AT&T, Charter, SureWest subscribers

By *Steve Donohue*

12/01/2011

With its retransmission-consent agreements with several cable MSOs set to expire on Dec. 31, TV stations owned by Hearst Television are beginning to warn viewers in the Sacramento, Calif., area that they could soon lose local programming.

Hearst says it is attempting to negotiate increased retransmission-consent fees for its CCRA-TV and KQCA-TV stations with AT&T, Charter Communications, SureWest, Wave Broadband, New Day Broadband, Cableview Communications, Calneva Broadband, Caltel Cable, Coast Cablevision and other cable operators.

"If negotiations are not successfully concluded before December 31, 2011, you may not be able to view KCRA and KQCA on your local cable system, but you will be able to receive KCRA and KQCA over the air and from other cable and satellite providers," Hearst wrote in a message to viewers posted on KCRA's website.

Several other broadcasters are attempting squeeze increased fees for retransmission consent from pay TV distributors. Victoria Television Group, which has been threatening to pull its stations in Victoria and San Antonio, Texas, from Time Warner Cable, said it reached a 24-hour extension with the cable MSO on Wednesday.

And Nexstar Broadcasting announced Wednesday that it had reached a multi-year deal with Dish Network that will allow the satellite TV provider to continue carrying its 55 local stations.

With agreements between many local broadcasters and pay TV distributors set to expire on Dec. 31, look for retransmission-consent battles to heat up during the next few weeks.

Source: http://www.fiercecable.com/print/node/5795

THE WALL STREET JOURNAL.

MARCH 10, 2010

Cable Operators Seek Help to Avoid Future Blackouts

By AMY SCHATZ And SHIRA OVIDE

Cable operators want Washington to prohibit broadcasters from yanking channels during fee negotiations, a move that might help consumers avoid missing their favorite TV shows but would change the balance of power in price negotiations between station owners and cable companies.

A group of pay-TV operators, including Time Warner Cable Inc., Dish Network and Verizon Communications Inc., filed a petition Tuesday asking the Federal Communications Commission to change its rules to require arbitration and prevent broadcasters from pulling their signals during fee negotiations. The issue also could come up at a Capitol Hill hearing Thursday.

Several TV providers also sent a letter to influential members of Congress Tuesday, asking them to "carefully examine the circumstances that have resulted in the current imbalance in retransmission consent negotiations."...

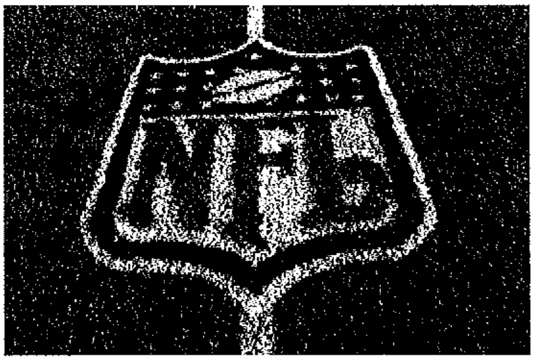
The biggest leverage TV channel owners have is yanking their stations from the lineups of TV service companies, so the cable- and satellite-TV companies' request to Washington effectively is seeking to remove this threat as a negotiating tactic.

Source: http://online.wsj.com/article/SB10001424052748704145904575112140541279932.html

DEADLINE | HOLLYWOOD

REPORTS: NFL Close To Deal Extending TV Rights Through 2021 For $6 Billion A Year

By THE DEADLINE TEAM | Tuesday December 6, 2011 @ 12:24am



This NFL season's ratings haven't been as strong as last year's which broke a slew of ratings records. But the NFL continues to be the most potent TV sports franchise by a mile. So the National Football League and the broadcast, cable and satellite networks are close to whopping deals stretching through 2021 that would give the league a 60% increase over current fees. That's $6 billion a year or more from all its media "partners," according to the industry trade publication *Sports Business Daily* and the *Wall Street Journal.*

The deals are with News Corp's Fox, Comcast's NBC, and CBS as well as DirecTV and Disney's ESPN. Broadcast network share of the yearly fees will amount to about $3.2 billion. ESPN's share will be about $1.9 billion per season under the league's separate $15.2 billion deal with the cable network for "Monday Night Football" which also lasts through 2021. (ABC suffered significant drops in ratings when Disney opted to shift Monday Night Football to ESPN.) DirecTV pays roughly $1 billion a year to offer its Sunday Ticket that covers all Sunday afternoon games and some other NFL programming.

NFL coverage is also a huge factor for local TV stations, not only for network-owned stations but for affiliates owned by other companies that have to pay the networks for the rights to carry their programming. In turn cable systems and satellite providers have to fork over what are known as retransmission consent fees when they carry local stations from every market where the systems operate. NFL football is a huge bargaining chip in these overall negotiations. Disputes over fees sometimes result in threatened or literal disruptions of service on cable or satellite services that play out in news coverage tugs-of-war with networks. League and media executives have been working to complete the agreements before the holidays.

Source: www.deadline.com/2011/12/nfl-close-to-deal-extending-rights-deals-with-fox-nbc-cbs-abc-espn-directv-through-2021/

FierceCable

Sinclair may pull Baltimore stations from FiOS TV subscribers

By *sdonohue*

12/14/2011

Fox and The CW affiliates owned by Sinclair Broadcasting in Baltimore, Md., are warning Verizon FiOS TV subscribers that they may lose their signals unless the telco signs a new retransmission-consent agreement by Dec. 31.

"Based on the current status of negotiations we do not believe they will be carrying this station after that date," Sinclair's WBFF-TV wrote in a message posted on its website. Sinclair's WNUV-TV, which carries programming from The CW in Baltimore, posted the same message on its site...

Verizon officials said the company continues to talk to Sinclair. "Unfortunately, Sinclair Broadcasting is threatening to temporarily remove the stations from Verizon's FiOS customers because Verizon will not give in to Sinclair's demands for an unreasonable rate increase," spokeswoman Heather Willner said. "We hope that Sinclair will change its approach and agree to negotiate with us for rates and terms that are in our viewers' best interests to avoid any temporary interruption of content from these stations," she added.

cadillacnews.com
Your Online Connection

Dish Network, Heritage Broadcasting negotiations roadblocked by proposed fee increase

By Rick Charmoli (12/13/11)

CADILLAC – Local Dish Network subscribers might not be able to tune into the "Big Bang Theory," "Survivor" or upcoming Detroit Lions games if a contract with a local broadcaster is not in place by Thursday.

Dish Network's ability to carry Heritage Broadcasting's stations, including TV 9 and 10 and Fox 32, expires at midnight on Thursday. The satellite company is claiming that the local broadcaster is refusing to negotiate and is demanding a "take-it-or-leave-it" fee increase of more than 600 percent.

Although Dish Network never talks in exact dollar amounts, a spokesperson did say it would have an impact on their customers' rates...

THE HILL

Fix broken broadcast retransmission consent system

By Former Rep. Jack Fields - 11/15/10

Few things are more frustrating to a former Congressman than to see a law he sponsored twisted in a way that undermines its intended purposes. Unfortunately, this is precisely what has happened during the last few years with the 1992 Cable Act, and in particular, with the provisions I sponsored dealing with "retransmission consent." These provisions require a cable operator or other video provider to obtain a broadcast station's permission to retransmit the broadcast signal to subscribers (unless the broadcaster elects a different option called "must carry"). Our goal was to ensure that the public would retain access to local broadcast programming as cable television gained in power and influence. But today, more than ever, broadcasters are using these provisions to claim that the Act gives them license to pull their signals from video providers and their subscribers unless these providers agree to pay rapidly rising fees. In essence, broadcasters are exploiting a law designed to prevent consumers from experiencing service disruptions to justify blackouts. This just happened in the New York and Philadelphia area, where Fox blacked out its network stations to three million households during the baseball playoffs and World Series.

When Congress created retransmission consent in 1992, we had good reason to worry about the future of broadcast television. Cable providers had near-monopolies in the communities they served. Potential competitors, such as satellite providers and telephone companies, were still years away from providing video services that could match what the local cable operators were providing. And as more and more viewers removed the rabbit ears from their television sets in favor of cable wires, broadcasters became more reliant on cable providers to distribute their programming to consumers. Congress thus came to view dominant cable providers as a threat to the survival of over-the-air broadcasting.

These concerns gave rise to the 1992 Cable Act, which established new rules governing the carriage of broadcast stations on cable systems as well as other video distributors. The Act gives broadcasters two options for securing carriage on distribution platforms. The first option is for the broadcaster to elect "must carry" status, which entitles the broadcaster to automatic carriage without compensation. The second option is to elect "retransmission consent" status, which allows the broadcaster to bargain with a video distributor for carriage. The two options provide tremendous benefits to broadcasters by ensuring that all broadcasters would obtain carriage one way or another, and could continue to provide important local programming to viewers in their communities.

But as we all know, there has been tremendous change in the television industry since 1992. Cable now faces vigorous competition from other platforms. Satellite providers DIRECTV and DISH Network rank just behind Comcast in subscriber levels and ahead of every other cable operator in the country. Major telephone companies like Verizon (FiOS) and AT&T (U-verse) are also rapidly expanding the reach of their video services. Viewers can even "cut the cord" completely and watch their favorite shows on the web, or download them from services like Apple's iTunes. In short, broadcasters today have a wealth of options for getting their programming to viewers, and the concerns Congress addressed in 1992 are a distant memory.

As competition among cable, satellite, and telephone companies has flourished, little has changed in the way broadcasters do business. They continue to retain all of the government protections originally granted to them when they faced a monopoly cable provider. Broadcasters retain their monopoly status in the local market because FCC rules prohibit pay TV providers from obtaining broadcast programming from an alternative source. As a result, broadcasters have grown bolder in their demands because they know that they can survive just fine without continuous carriage on any one of the competing distributors in their local market. If a broadcaster withholds or threatens to withhold its signal, the ability of a viewer to switch pay TV providers virtually assures that the distributor will ultimately give in to the broadcaster's financial demands. In contrast, pay TV providers risk losing customers for good when a broadcaster withholds popular programming and drives them into the arms of a competitor. As a result, broadcast stations, particularly those affiliated with the four major networks (ABC, CBS, NBC, and Fox), can threaten to pull their programming from a pay-TV provider if their compensation demands are not met.

The system is broken, but it isn't beyond repair. I urge policymakers at the FCC to take action, and soon, to ensure that the retransmission consent system promotes the goals it was intended to serve

Jack Fields represented the 8th Congressional District of Texas in the U.S. House of Representatives from 1980 to 1997 and was Chairman of the Subcommittee on Telecommunications and Finance during part of that tenure, from 1995-1997. He is a consultant to the pay TV industry and lobbies on retransmission consent.

The New York Times

December 14, 2011

With Latest Network Agreements, the N.F.L. Outdoes Even Itself

By RICHARD SANDOMIR

With its consistently high ratings and its solid grip on the American sports psyche, the N.F.L. knows that broadcast and cable networks will spend ever-rising sums to carry its games.

So on Wednesday, in a ritual as common as Tim Tebow's end-of-game comebacks, the league announced a flurry of new deals that will require its three Sunday broadcasters to pay substantially more than they have ever paid.

Over nine years, starting in 2014, CBS, Fox and NBC will together pay an average of about $3 billion a year, more than 50 percent higher than their current deals.

Fox's average rights fee will jump to about $1.1 billion a year from $725 million in 2013. CBS's payments will increase to nearly $1 billion from $625 million, and NBC's fees will go to $950 million from $612 million. ESPN's recent agreement can be added to that. Three months ago it approved a 73 percent increase to $1.9 billion annually for eight years.

Taken together, the four networks, in addition to DirecTV, which pays $1 billion a year for its Sunday Ticket satellite package, will pay the N.F.L. more annually than any sports league has ever been paid. Of course, the previous record-holder was the N.F.L. ...