

**Responses to Questions for the Record
Committee on Energy and Commerce
Hearing entitled, "State of the Media Marketplace."
Submitted by Ian Olgeirson**

The Honorable Yvette Clarke

1. Previous Members mentioned the challenges of the retransmission consent negotiations and stated how the leverage is all on one side of the equation.

a. How does this affect the market?

i. *The factors affecting retransmission consent are complex, and characterizing negotiations as a one-sided equation risks oversimplification. It is clear that broadcast retransmission consent fees, irrespective of a negotiation imbalance, have risen significantly over the past five years. Based on our estimates the market increased from \$2.41 billion in 2012 to \$9.37 billion in 2017. However, multiple factors have driven that increase, including a historical undervaluing of the core networks in a repackaged multichannel lineup. The TV advertising market also fragmented during that time, with digital and social media disruptors taking a larger share of the market while retransmission consent became a larger share of the broadcast business, growing from 10% in 2012 to 31% in 2017. TV networks are also paying higher live-sports license fees and affiliate station owners are paying more in reverse compensation to cover the higher overall costs of network programming, which leads to higher retransmission consent fees.*

b. Does it increase consumer costs?

i. *Yes. Rising retransmission consent fees are one component of rising consumer costs. The average revenue per subscriber for traditional cable, satellite and telco video subscriptions increased from approximately \$85 in 2012 to an estimated \$101 at the end of 2017. A portion of this increase was driven by higher programming costs in general and a subset is directly attributable to retransmission fees. Operators commonly institute a broadcast-TV fee or surcharge to monthly bills. These fees have been on an upward trajectory. For example, Comcast's fee, based on a sample of consumer bills in the Denver market, increased from \$1.50 in December 2014 to \$7.85 by the end of 2017, a 423% increase over a four-year period.*

c. If so, what can be done to restore some balance to these negotiations?

i. *A complex web of interests on both sides affects the balance in retransmission negotiations. While broadcasters have successfully established retransmission fees for network carriage, the stations face growing market hurdles, including rising sports costs and licensing requirements of their own as well as consumers shifting away from linear-network viewing. Traditional cable, satellite and telco video services are de-emphasizing less profitable video services, and virtual multichannel service providers are approaching packaging with a mix of offers that do not automatically feature broadcast networks. Because of the reductions*

in demand, some multichannel operators have also been more apt to reject TV station groups' demands in retransmission consent negotiations, with the latest example being DISH's ongoing dispute with Univision. The result is market-driven balancing with the rise in skinny bundles and cheaper online video alternatives along with more consumers receiving their broadcast TV over-the-air.

- d. The broadcast TV sector is clearly consolidating. I'm not focused, here, on ownership limitations. Instead, I'm interested to hear from you what effect broadcast TV consolidation is having on the retransmission consent fees that consumers ultimately have to pay. Do larger group owners typically extract higher fees?**
 - i. It is difficult to say that consolidation is having a direct impact on retransmission consent fees. However, based on our analysis, the broadcast TV network owned-and-operated (Disney/ABC, CBS, Comcast/NBC, Fox and Univision) and publicly-traded major affiliate TV station groups have seen retransmission consent rates for ABC, CBS, NBC and FOX stations increase from around \$1.50 per subscriber per month on average in the second quarter of 2017 to over \$2.00 in the second quarter of 2018.*