



# GLOBO STILL ON TOP, DESPITE COURTS AND RIVALS



Catherine Davies examines the trends and issues in the complex and burgeoning Brazilian TV and sports rights market.

**WHAT COMES TO MIND** when you think of Brazil? Pele, Zico or Ronaldinho? Carnaval, Copacabana and caipirinhas? A burgeoning economic powerhouse - a Latin 'tiger' if you will? It will be all of those things and more, if the Brazilian government and the national football league have their way and succeed in bringing a unique mix of football, tourism and Brazilian business opportunities to the small screen in households across Asia, the Middle East and Europe next year.

The government of President Luiz Inacio Lula da Silva became the latest player in Brazil's sports TV rights market last year, after it signed a deal with the Clube dos 13 (which organises and sells the TV rights to the top domestic football league, the Brasileirão's Serie

A) to use the brand of Brazilian football as a marketing tool to drive tourism to the country in the lead-up to the 2014 World Cup, which Brazil will host, and to increase trade with the key markets of Asia and the Middle East.

The Brazilian Football and Leisure Channel is a joint venture between the Clube dos 13 and the federal government's ministries of tourism and foreign affairs and APEX, its exports and foreign investment agency.

The five-year deal comes into effect in 2009, when the Clube dos 13 takes the international TV, internet, broadband and mobile rights to the Brasileirão in-house and out of the hands of incumbent rights holder, dominant media group Organizações Globo.

Under the present three-

year contract period, Globo has packaged the rights to the Brasileirão into its domestic and international football channel, Premiere Futebol Clube (PFC), which also includes live rights from the major regional championships, including the top-flight Carioca and Paulista tournaments, from the states of Rio de Janeiro and Sao Paulo respectively.

The Clube dos 13, which will package live Brasileirão matches together with features on Brazilian culture, tourism and exports in a branded block of programming, thinks it can do better than Globo, particularly in Japan and China, as well as the Middle East.

The Clube dos 13 told Sport Business that it expects to do particularly well in sales to Japan,

which has a significant Brazilian population and strong cultural and trade links with Brazil as well as close to 60 million 3G mobile phone subscribers.

"We think our product has been underexploited in these markets. Everyone knows about Brazilian football and our five World Cups, but they often can't name a top club. We intend to change that with our channel."

The loss of the international rights will be a blow to Globo, which has been associated with Brazilian football for years. But the group is still the dominant broadcaster of domestic football in Brazil, and is expected to win exclusive rights to all five packages of media rights to the Brasileirão presently being auctioned by the Clube.

The tender has been delayed after the Clube decided not to accept the Globo group's combined initial bid of R\$440 million per season for the free-to-air, pay, pay-per-view, branding and marketing rights from 2009 to 2011.

It had already rejected a bid of around R\$10 million per season from pay-operator ESPN Brasil for exclusive pay-rights to two matches per week as 'too low'. Instead, the Clube sent a 'counter-proposal' of R\$570 million back to Globo, and the two are expected to reach a compromise within the next couple of weeks.

The nightmare scenario of a single bidder became a reality for the Clube last month, when rival commercial broadcaster Rede Record said it would not be bidding for Brasileirão rights because the existence of matching rights clauses in Globo's present contracts made the process inherently unfair.

Record had previously said it would be willing to pay up to R\$1 billion per season for exclusive Brasileirão rights, and its



Globo's exclusive rights - Getty Images Sport

withdrawal from the auction was a blow to the clubs.

Until recently, Record showed very little sport and was happy to simulcast Brasileiro matches with Globo through a sharing deal sealed in 2003. But Globo's massive market share - up to 30 per cent for domestic football, which included 60 per cent of the ABCi+ male audience - left little for anyone else.

Record's share for the same matches rarely hit the five-per-cent mark. In 2006 it woke up to the fact that it needed exclusive top sports rights if it wanted to challenge rival broadcaster SBT for second place in the ratings behind Globo.

In 2006, Record went on the offensive. It began making audacious bids for top football, starting with the regional Paulista league, for which it bid R\$80 million per year, double the R\$40 million that incumbent Globo had been paying in the previous deal. Globo matched and won, leaving Record with nothing more than the dubious honour of driven up the price of the rights and making the clubs happy.

Globo then used its matching rights to beat Record bids for the Carioca and Mineiro leagues, in the process being forced to double and even triple its fees. Over the next three seasons, it will be paying close to R\$160 million per season for its state championship rights, nearly twice what it pays now.

Globo didn't have matching rights in its contract with FIFA for the 2010 and 2014 World Cups, and was outbid by Record, but it won anyway. Its track record with FIFA (it has broadcast every "World Cup since 1966), its production standards and its technological resources made it the 'clear choice' - particularly with Brazil set to host the 2014 Cup. In the end, Globo won the World Cup rights with a bid of \$380 million to Record's \$400 million.

Record was disappointed to lose, but got its own back three months later when it beat Globo to the rights to the 2010 and 2012 Olympic Games, paying \$60 million, far more than the \$12 million Globo is paying for

this summer's Beijing Olympics, which were acquired through a pan-regional deal with the Organizacion de Television Iberoamericana (OTI). In fact, Record's fee is more than the \$58 million paid by the OTI for all of Latin America for five Games from 2000 through to 2008. Record will act as gatekeeper of the Olympic rights, guaranteeing a minimum of 50 hours of free-to-air coverage of the 2010 Winter Games and 220 hours of free-to-air coverage for 2012.

But no other channel approaches Globo when it comes to the sports that matter most to Brazilian fans. The channel carries exclusive Formula One rights and has pay-rights for a range of other key sports, including Spanish Liga football and MotoGP.

It has two premium sports channel, SporTV and SporTVa, as well as premium football channel Premiere Futebol Clube and a 'fight' channel, Premiere Combat, all carried by leading cable platform, Net TV and dominant satellite platform, Sky Brasil, in which Globo owns significant stakes. Both platforms also carry ESPN, ESPN Brasil and The Golf Channel.

Other operators have started to muscle in, but still have a long way to go. Cable and satellite sports channel Band Sports shows non-exclusive Brasileiro matches, through a sharing deal with Globo, and also airs a wide range of second-tier sport, including NASCAR, ATP tennis, domestic volleyball and the new ABCB Super Copa basketball tournament, a breakaway from the national league.

Nascent free-to-air sports channel Esporte Interativo holds exclusive free-to-air rights to NBA basketball and a range of European football leagues. ESPN International and ESPN Brasil show a range of regional and international sports.

But football, especially domestic football, is the biggest draw of all, and Globo has shown that it has no intention of letting go of its grip on the best national and state tournaments.

A different sort of challenge may come from - again - the federal government. President Lula was less than impressed with Globo's coverage of his 2006 re-election campaign, and in November last year, authorised the re-opening of an investigation into possible anti-competitive practices in the way domestic football television rights are sold.

The initial complaint, launched by rival commercial network SBT in 1998, had been put on ice for nearly a decade, through lack of political will.

But Lula's initiative, together with a campaign by parliamentary deputies belonging to the evangelistic church, the Igreja Universal (which owns the Rede Record group), led to the publication last month of a 132-page document by the competitions department of the ministry of the economy, which detected possible anti-trust behaviour, and passed the file on to the national competitions authority, the CADE (Conselho Administrativo de Defesa Economica).

The report found that the bundling of free-to-air, pay and PPV television rights was anti-

competitive, as it meant only the biggest media groups could afford to bid. It also said that free-to-air rights should not be sold exclusively to one broadcaster, and that 'an alternative model' must be found.

But the CADE is notoriously slow, and a ruling is not expected for up to 18 months. The findings are not expected to affect the current negotiations for the Brasileiro TV rights.

Nevertheless, Globo was forced to share its premium sports channels, SporTV and SporTV2 last year after the CADE ruled that it could not hold exclusive pay-rights to five top football tournaments (the Brasileiro, the Copa do Brasil, the Carioca and Paulista state tournaments and the Copa Libertadores, Latin America's top club championship) at the same time.

It has since sublicensed the channels to rivals, including Telefonica Brasil, the Spanish telecoms giant's Brazilian cable and satellite platform.

But Globo has been the leading media group in Brazil for over four decades. Challenges to its dominance are inevitable in the highly competitive sports rights arena and the increasingly fragmented television market.

Despite differences over political campaign coverage, competitions investigations and the occasional loss of top rights, Globo is powerful and well-connected. Expect it to dominate the market for at least another four decades,

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