

# WEATHERING THE FINANCIAL STORM

As the sports TV industry swings into Miami for SportelAmerica, **Catherine Davies** of TV Sports Markets, rounds up the sports media environment in the US, Canada, Mexico and Latin America, identifying key trends, the big deals and the economic and political issues influencing the market now and in the years ahead.



THE STATE OF the sports rights market can usually be measured by the health of the economy. When times are good, broadcasters will spend on sports rights, especially the major leagues in American football, baseball and basketball, are the most coveted rights around, in the US anyway. But given the dire state of the American economy these days, the TV market for sports rights in the US should be disastrous, right?

Well, yes and no. Yes, because major sponsors such as beleaguered US automaker GM have been dropping like flies, and sponsorship money provides the clubs and league with the funding they need to bring in the best players and provide the best spectacle, which in turn maintains and increases competition - and rights fees - from broadcasters. And yes, because

media and entertainment giants like the Walt Disney Company, owner of the ABC network and sports juggernaut ESPN, and Time Warner have reported poor numbers for the last quarter of 2008, with worse to come, and are shedding jobs and making cutbacks across the board.

But no because there are also several signs that the market will remain stable over the next two to three years - and by then, the US economy could well be on the road to recovery.

The biggest properties are protected by long-term rights deals that will keep the money flowing and the audiences happy: the NFL has contracts with NBC through to 2011 and ESPN to 2013, MLB has deals to 2013, the NBA's contracts run through to 2016 and NASCAR's rights are secure to 2014. US college sport

championships in football and basketball have secured major broadcasting deals running for 10 years and more.

And even without long-term deals, broadcasters are likely to at least maintain current fees - witness UK pay-television operator BSkyB's recent deal for English Premier League rights for a credit-crunch defying £1 billion - because the major leagues deliver the biggest and most demographically valuable audiences. This year's Super Bowl between the Pittsburgh Steelers and the Arizona Cardinals was no exception, drawing 98.7 million viewers, the highest Super Bowl audience ever, according to broadcaster NBC.

Major league action draws top audiences week-in, week-out. Recent figures show that audiences are up for college football and NBA on ESPN, with NBC drawing

its biggest audience (4.4 million) in 44 years for an NHL game on January 1. Across the border, Canadian sports network TSN reported a 27 per cent increase in audiences in the three months to 30 November, with marked rises for CFL football, NHL ice hockey, the NFL and the NBA.

When times are as tough as these, people seem to be curtailing spending on so-called luxuries - restaurants, cinemas, nights out, travelling - and instead hunker down at home in front of the TV with a take-away pizza. And the cutbacks do not extend to cutting out the pay-TV subscription, with none of the major operators in the US - cable operators Comcast and Cox, satellite platforms DirecTV and Dish and new entrants, and telecoms operators FiOS TV and U-Verse TV - showing signs of a slowdown.

In fact, the switch-off of the



flowed over...the NFL dominates the sports TV landscape Status: side - Getty Images Sport

analogue signal in the US last month is expected to spur many of the 6.5 million analogue over-the-air 'hold-outs' to finally go down the pay-TV route.

So, there's more people at home, watching more TV on more channels, and for the nearly 100 million US households hooked up to cable, satellite or broadband television, there's a lot more sport to watch - thanks in large part to all-powerful ESPN, which has been snapping up many of the most popular sports events that have traditionally been a mainstay of over-the-air network television.

In any market with a strong pay-television industry, cable and satellite channels have an increasingly strong edge over their free-to-air rivals because they benefit from a dual income stream of advertising and subscriber revenue.

In ESPN's case, this is even

more marked: the main channel, ESPN, is available in over 98 million households, and with its massive portfolio of top sports, it commands a carriage fee of \$4 per subscriber per month. No wonder, then, that it was able to outbid incumbent network Fox to college football's Bowl Championship Series, offering \$500 million over four seasons to Fox's \$400 million. The BCS title game in 2010 will be the first major US sports championship to be aired on cable.

Post-season games in various leagues, including MLB and the NBA, have already moved to cable, as has the NCAA women's basketball final four. But cable's push is extending to other sports too. ESPN recently acquired the rights to golf's British Open for a reported \$25 million per year, making it the first major men's golf championship to have all four

rounds carried exclusively on cable.

And it won't stop there. ESPN is expected to bid aggressively for the 2014 and 2016 Olympic Games, which were an unqualified success for incumbent NBC Universal last summer, with record audiences across all platforms.

But voracious competition for the very best and most popular sports properties, which draw the desirable male 18-45 audience, has left its marks on other sports, perceived as less appealing to advertisers and sponsors. There's still no dearth of outlets for second-tier leagues and Olympic sports; in fact, the appearance of new cable sports channels and webcasters like NBC's Universal Sports, coupled with the explosion of broadband, means that there's more scope for exposure for pretty much any sporting event. Actually securing a rights fee, however, will become an

increasingly distant dream. Many former 'top' sports are now forced to negotiate time-buy deals to secure network coverage.

The IAAF secured live and highlights coverage on NBC for its 2007 and 2009 World Championships, but only through a time-buy in partnership with its major sponsors. Similar deals have been struck by USA Track and Field and USA Figure Skating. The emergence of Michael Phelps was a bright spot for swimming's international governing body FINA, though, which even his drug-taking antics are unlikely to dim: the federation secured a rights deal with NBC for the World Swimming Championships this summer.

Upcoming rights deals for major properties are likely to reveal the continued strength in the US sports market, despite the economic downturn. The

NFL will open negotiations for its conference and Sunday Night packages in the coming months, while the IOC will have to re-open its postponed talks for the 2014 and 2016 Games in the next couple of years. Both properties are likely to earn reasonable increases on their present fees.

Meanwhile, Spanish agency Mediapro has reported strong competition for Liga football rights from 2009-10 to 2011-12, with incumbent rights holder GoTV up against eager pretenders such as Fox and - who else - ESPN.

North of the border, the trends are remarkably similar in Canada, where, despite economic gloom and broadcaster cutbacks, the biggest sports rights are tied up in long-term deals and audiences for top sports are on the rise, helped by the ever-wider distribution of cable and satellite sports broadcaster TSN and its smaller rivals.

At a recent conference in Toronto, senior Canadian broadcasting executives agreed that the sports rights business was "healthy, wealthy, and virtually recession-proof, because unlike other types of content, top sport is generally viewed live, which is appealing to audiences and priceless for advertisers, as the viewer is 'forced' to watch the ads surrounding the action.

TSN has been following the lead of its US counterpart ESPN, which remains a 50 per cent shareholder, a deal that gives

TSN a very favourable inventory arrangement for ESPN content. TSN is now available in over nine million Canadian households, with rival Sportsnet, the Rogers Communications-owned regional sports network, reaching around a million less. Third-placed sportscaster The Score reaches over six million. Wealthy parent companies and rising carriage fees mean that pay-channels have been able to outbid public-service broadcaster CBC - the only real over-the-air option for most rights-holders - to a number of events.

CBC's biggest humiliations have occurred in the past two years, starting with the loss of Olympic television rights to the 2010 and 2012 Games to the consortium formed by TSN, its free-to-air sister network CTV and SportsNet. That was followed by the loss of the Canadian Football League's entire portfolio, including the championship Grey Cup game, a CBC staple for 40 years, to TSN. TSN has also taken a greater share of top NHL matches, including an increase share of Toronto Maple Leaf games at the CBC's expense.

The CBC has fought back, acquiring the rights to the 2010 and 2014 FIFA World Cups, and has signalled its intent to fight fiercely for the 2014 and 2016 Olympics, although insiders believe the CTV consortium will be less inclined to bid without the presence of a Canadian host city. It also stepped in to acquire Canadian team rights to MLB and NBA, but was forced to drop its Blue Jays baseball coverage this year due to high costs and falling revenues.

US Major League, College and other Sports Rights Deals			
Property	Duration	Fee	Broadcaster
<b>Major Leagues</b>		<b>Fee p.a.</b>	
NFL	2006-11*	\$3.73bn	CBS, Fox, NBC, ESPN
MLB	2007-13**	\$802m	Fox, ESPN, TNT, DirecTV/InDemand
NASCAR	2007-14	\$562.3m	Fox, ABC/ESPN, TNT
NBA	2008-16	\$930m	ABC/ESPN, TNT
<b>College sport</b>		<b>Total fee</b>	
NCAA	2002-2013	\$6bn	CBS
BCS	2011 to 2014	\$500m	ESPN - exclusive live rights
Big 10	2007 to 2016	\$1bn	ABC/ESPN
SEC	2009-2024	\$3.075bn	CBC, ESPN
<b>Other sport</b>		<b>Total fee</b>	
Olympic Games	2010 & 2012	\$2.2bn	NBC Universal
Br. Open golf	2010-17	\$200m	ESPN - exclusive live rights
Fifa World Cup	2010 & 2014	\$425m	ESPN (English), Univision (Spanish)

TV Sports Markets

\*ESPN to 2014; \*\*ESPN 2006-13

Minority sport is poorly served in Canada. The vast majority of amateur sport gets virtually no incidental coverage, apart from occasional tape-delayed, and even more occasional live segments on the CBC's Saturday afternoon sports programming. But two new cable and satellite sports channels could boost exposure dramatically: the CBC was recently awarded a licence to operate a digital sports channel, CBC Sport Plus, and it is obliged to allocate a certain percentage to Olympic and amateur sport, while the Canadian Olympic Committee has applied for its own Olympic sport channel. As in the US, second and third-tier sports will have ample opportunity for exposure - provided they find someone to pay for production, because the broadcasters aren't going to do it, much less pay a rights fee.

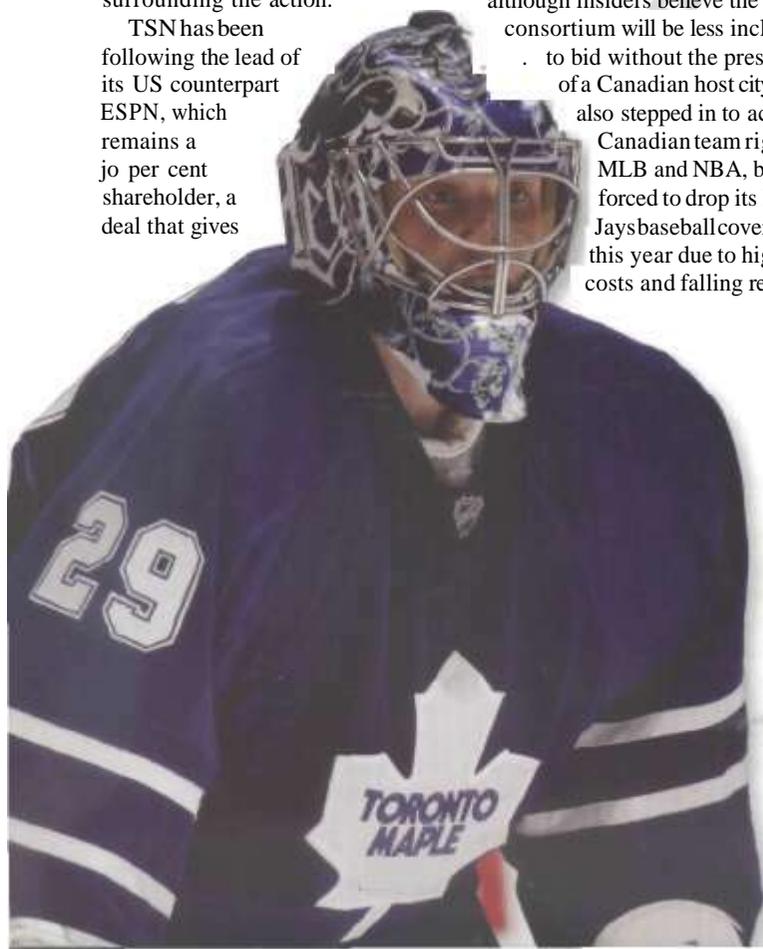
And now for South of the US border...As one would expect, the sports rights market in Latin America is a mixed bag. The region is characterised by the presence of media giants like Mexico's Televisa, Brazil's Organizacoes Globo and Argentina's Clarin group, with varying levels of pay-television penetration: in Argentina, a whopping 74 per cent of households subscribe to pay-TV, with Colombia not far behind at 65 per cent. The region's largest market, Brazil, is among the lowest, with only around 10 per cent penetration.

The economic slowdown is expected to be less severe in Latin America than in the US and Europe - except for possibly Venezuela with

its high dependency on oil - and investment in new technologies is going ahead strongly. A number of countries have started IPTV trials, including Mexico, Brazil and Argentina, but legislation has still to catch up: dominant cable operators in all three countries have pushed to delay the approval of new laws that would allow telecoms operators to offer pay-television services - a development that has held back Spanish telecoms operator Telefonica's ambitions to acquire top sports content in the bigger markets.

That hasn't prevented the company from moving full-stearn ahead in acquiring exclusive internet and mobile content in recent months. Its new media arm, Terra, paid \$2 million for live and on-demand coverage of the 2008 Olympics, a move that was branded an astonishing success by the IOC. Terra renewed these rights for 2010 and 2012, and concluded a 'separate deal in Brazil, paying Symtor the privilege. When Telefonica is permitted to offer linear pay-television in the bigger markets, it will be fertile ground for both domestic and international rights holders - as will its fierce rival Telmex, and in Brazil, telecoms giant Oi.

Nearly every platform in the region carries the major pan-regional sports channels, ESPN Latin America and its two tailored regional channels ESPN Dos for Mexico, Central America and the Caribbean and the northern cone countries, and ESPN Plus for the southern Cone countries, as well as Fox Sports Americas. ESPN and



Fox compete fiercely for top pan-regional rights, with ESPN holding Italian Serie football, top golf and tennis, and Fox having English Premier League, Copa Libertadores and Formula One in the current deals. Satellite platform DirecTV recently renewed its exclusive Spanish Liga rights for a further three seasons.

Football channel GoTV, controlled by Uruguayan businessman Francisco Casal, is slowly increasing its distribution, helped by recent deals for France's Ligue 1 and a range of Latin American leagues, as well as Germany's Bundesliga, which expires this season. Other pan-regional channels include motor-racing's Speed, The Golf Channel Latin America, DirecTV's Baseball Network, Polo TV and Argentina's TyC Sports,

Free-to-air commercial and state broadcasters have traditionally benefited from their membership of the Organization de Television Iberoamericana, the union that acquires sports rights collectively

in the same way as the European Broadcasting Union buys in rights for Europe's public-service channels- The OTI has more than 50 members in 17 Latin American countries, as well as the US, Spain and Portugal. Its only substantial deal at present is a \$286 million contract for the 2010 and 2014 Fifa World Cups, excluding Brazil, which has its own deal. It held Olympic rights from 2000 to 2008, but negotiations have stalled for 2010 and 2012, with some insiders believing the IOC is keen to work with broadcasters individually.

Another broadcasting group to take note of is the collection of some 30 free-to-air channels across Central and South America owned by elusive Mexican businessman Angel Gonzalez. He runs his 'empire' from Guatemala, where he owns all four free-to-air broadcasters, and has bought sports rights collectively in the past, including a \$12.7 million acquisition of 2006 FIFA World Cup rights for his channels in Central America. Peru, Ecuador and Paraguay.

Brazil's 192 million inhabitants are well-served by free-to-air and pay-channels alike, but only one in ten of its 53 million TV households subscribe to pay-TV. The dominant Globo network is home to top-flight domestic football through to 2011, the FIFA World Cup in 2010 and 2014 and Formula One to 2010. It has recently faced a challenge from upstart rivals like Rede Record, keen to move in on Globo's 60 to 70 per cent audience share. Record is owned by the wealthy evangelical church, the Igreja Universal do Reino de Deus, and recently grabbed the television rights to the 2010 and 2012 Olympics and the 2011 and 2015 Pan Am Games.

But pay-TV is growing, with telecoms giants Telefonica of Spain and Mexico's Telmex adding to Globo's own cable platform Net and its DTH service Sky Brasil.

Volleyball, handball, basketball, motorsport and foreign football leagues are popular in Brazil and are accommodated on Globo's two (and soon-to-be three) SporTV-

branded sports channels as well as rival pay-sports channels BandSports, ESPN and its domestic version, ESPN Brasil. There are also two over-the-air outlets, Rede Record's news channel, which carries a range of European football and will accommodate Olympic and Pan Am sport in the coming years, and Esporte Interativo, a dedicated sports channel showing NBA basketball and overseas football.

Mexico is the next biggest Latin American market, with a population of 106 million, and its television sports rights market has been dominated by the two commercial giants, Televisa and TV Azteca, who have a long tradition of agreeing not to compete against each other for sports rights. They presently split the Mexican Primera Division football league between them, very amicably, it must be said, and do much the same for other events, like the Olympic Games and the football World Cups.

But the market has been shaken up by new entrants, led by TVC

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Argentina v Brazil...guarantees big TV audiences in South America - Getty Images Sport

Deportes, a basic pay-sports channel operated by cable consortium PCTV, which reaches close to 5 million households and has acquired the rights to domestic football, Germany's Bundesliga, the NBA and Spain's ACB basketball league, among a wide range of other sports. Other new channels showing sport are the AYM Sports channel, cable operator Multivision's Canal 52MX, and upstart network Cadena Tres.

Argentina's sports television market is characterised by the almost complete domination of the group of companies owned or partially-owned by the Clarin media group. Clarin owns commercial broadcaster Canal 13, has interests in pay-sports broadcaster TyC and premium service TyC Max and controls the country's dominant cable operator, formed after the merger of the Multicanal and Cablevision services. TyC also holds exclusive live rights to the domestic football league in a long-term contract running through to 2013-14 as well as to the national team.

DirecTV Latin America took a 33.3 per cent stake in TyC in June 2008, formalising an agreement that had been in place for several years. TyC also has a content and production partnership with Fox Sports Latin America, which gives it top content such as English Premier League, Copa Libertadores and Formula One.

State broadcaster Canal 7 is the leading free-to-air sports broadcaster at present, although

it will lose its weekly free-to-air domestic football when TyC takes over exclusive rights next season.

The long arm of Clarin also extends into Paraguay, where the company owns leading cable operator Multicanal, which broadcasts domestic football and Clarin-owned content. Neighbouring Uruguay is dominated by the Tenfield agency, led by Uruguayan businessman Francisco Casal, who also controls the GolTV channel. Tenfield holds exclusive television rights to both the national football team and the domestic league.

Pay-TV is growing rapidly in other, smaller countries, like Chile, where the Zap platform, now owned by Mexico's Telmex, Telefonica TV Digital, DirecTV and cable operators all carry premium football service Canal de Futbol, which has exclusive live rights to the domestic football league, the Campeonato Nacional.

Peru's sports rights market is dominated by Telefonica, which operates cable and satellite pay-television services and accounts for nearly 75 per cent of the pay-television market. But pay-television penetration is still low in Ecuador. Most major sports rights are held by the main free-to-air channels, with Ecuavisa, Telemazones and Canal Uno dividing up the domestic football league rights.

Venezuela has a diverse sports television market, dominated by free-to-air dedicated sports channel

Meridiano, owned by the wealthy De Armas media group. Meridiano holds the rights to a vast range of sports including the Olympic Games and FIFA World Cup, but it lost out on domestic football when the national association signed

a controversial live rights deal with pay-television start-up Sport Plus, which has just over 400,000 subscribers. Domestic football falls far behind baseball in Venezuela, and is less popular than Spain's La Liga, which has helped drive subscriptions to exclusive rights-holder DirecTV.

Finally, Colombia is remarkable for its high level of pay-television penetration, with two-thirds of households subscribing to cable or satellite TV, well above the regional average of 33 per cent.

Mexican operator Telmex is the leader with around 50 per cent of the market. It broadcasts live Copa Mustang first division football, shared with cable operator Une. Telefonica Colombia operates a satellite television service, as does the regional player DirecTV.

*Catherine Davies is senior reporter for TV Sports Markets newsletter and author of the new TV Sports Markets report TV Sports Rights in the Americas. The report will be published in April 2009.*

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