WEDNESDAY, SEPTEMBER 29, 2021 VOLUME 32 | NO.181

Cablefax Daily™

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Future Forward: ESPN On the Shift in Sports Rights and Streaming

It's been more than three years since **ESPN** jumped into the streaming universe with **ESPN+**, and in that time, the app has grown to nearly 15 million subscribers. But the decision to bet so much on the future of a direct-to-consumer app didn't come without risk.

"None of this was easy or obvious for **Disney** or ESPN, especially when you consider how successful our traditional television business model has been for us," *Jimmy Pitaro*, Chairman of ESPN and Sports Content, said Wednesday at the ESPN Edge Conference celebrating the launch of ESPN's Edge Innovation Center, a place where sports and emerging technologies will intersect to create new experiences for fans and players. He credited the visions of both Disney Executive Chairman *Bob Iger* and CEO *Bob Chapek* for being unafraid to push forward with a vision centered on digital and direct-to-consumer products. "We saw a significant opportunity to expand our audience and really establish a more direct relationship with the sports fan."

At the end of 3Q21, ESPN+ touted 14.9 million subscribers. Around half of ESPN+ subscribers use ESPN media platforms every single day, and 35% spent more time on the ESPN app than fans overall.

Those numbers have been a major consideration for ESPN as it pursues sports rights deals stretching far into the future, and that was fully on display in March when the sports programmer announced a seven-year deal with the **NHL** that will see league games return to ESPN with the 2021-22 season.

"This one was a first-of-its-kind deal in the industry, and to be quite honest, we would not have been able to get this deal done without the significant streaming component that exists. If you were to ask me, what really is the heart of this deal is streaming, without any hesitation," Pitaro said.

Of course, there is still a linear aspect to the deal, with 25 regular-season games to air annually on ESPN or **ABC** as well as early-round playoff series, one conference final each year and four Stanley Cup Final series on ABC. But the vast majority of the content included as part of the deal will live in the streaming universe. More than 1,000 games each season will stream on ESPN+, and ESPN+ and **Hulu** will host 75 ESPN-produced exclusive telecasts per season. Beyond all of that, NHL.TV, the league's out-of-market streaming package, has moved to ESPN+ as part of its offering.

Pitaro said that focus on streaming was important to the NHL from the start, and the deal's composition ultimately came down to a conversation about how the league could reach the most sports fans.

"They're looking for the quality platforms and stability, of course, but also that reach," Pitaro said. "Typically, when you're looking for reach, you're thinking about traditional television, whether it's broadcast or cable. But now fast forward to where we are, we feel really good about that scalability."

Though the platform may change, fans are still engaging with games in much the same way as they have since those programs started airing on linear television. The ESPN Edge Innovation Center hopes to change that and extend the arena experience to fans around the globe that won't ever step foot in their team's home base.

But what does that look like? At a later panel, **Dapper Labs** Senior Vice President, Platform & Blockchain Partnerships *Mickey Maher* expressed his excitement for the innovations in virtual and augmented reality that will allow those viewers to feel like they're in the arena. **Verizon** Head, Consumer Content & Partnerships *Erin McPherson* also believes there is a world of opportunity ahead when you look at what is happening in esports and the continued development of virtual environments where sports fans can come together.

"I'm really excited about what that would mean in 2030 and beyond for putting together your fantasy league and then actually having a game based on avatars of those players, or maybe stepping inside of an avatar of your favorite player and seeing what it's like from their POV," she added.

RSN SHOWDOWN BETWEEN COMCAST-MSG

Is the RSN train wreck approaching the station? All eyes are on **Comcast** and **MSG Networks**' Thursday deadline for a new carriage deal. MSG sounded the alarm during Wednesday night's preseason Islanders game, warning that Comcast intends to drop MSG for its New Jersey and Connecticut customers as **NBA** and **NHL** season is about to begin. For years, there has been talk about whether the regional sports network model was broken. You can read dozens of RSN predictions we received a few months ago from ***Cablefax 100*** honorees here. "Doomed. As the traditional legacy bundle has priced itself far above what a U.S. household is willing to pay, in large part due to the escalating rates of RSNs," **Mediacom** EVP & CFO *Mark Stephan* said. "The model needs to change radically. And not every network will survive," declared *Erin McPherson*, **Verizon** Head of Consumer Content & Partnerships. **DISH** stepped out early and often on the RSN battlefield. It dropped MSG more than 10 years ago. The 21 **Bally Sports RSNs** have been dark on DISH since July 2019. **MASN** and **NBC Sports Networks** were removed in April. **Frontier** dropped YES last September and MSG Networks in October—and they remain off. Virtual MVPDs have also drawn a line in the RSN sand, with **fuboTV**, **Hulu** and **YouTubeTV** dropping the **Sinclair**-owned Bally nets. Large traditional MVPDs haven't been as bold (yet), and Comcast and **Charter** both operate RSNs themselves, which might complicate the matter. As for the MSG-Comcast spat, Comcast said there's still time. "We have successfully negotiated thousands of agreements with programmers and reached agreements in almost every instance. We would like to reach a fair deal with MSG that makes sense for our customers before the current one expires, allowing us to continue offering their networks on our channel lineup," it said. MSG, which is home to the NY Knicks, New York Rangers, New York Islanders, New Jersey Devils and MLS's New York Red Bulls, claims Comcast is "demanding terms they'd never accept for their own regional sports networks, including **SNY** in New York." This dust-up comes as Comcast/**NBCU** faces a Thursday deadline with **Google**/YouTube over carriage of the NBCU cable networks and RSNs. That story is getting a ton of attention not just because of the two Goliaths involved, but because of reports that NBCU tried to force YouTube TV to bundle and pay for **Peacock Premium** as

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part of a new affiliation agreement. "NBCU should be focused on leaning into the future, moving from linear TV to streaming TV. That said, they should focus on making Peacock must-have without forcing MVPDs/vMVPDs to pay for it," **Lightshed Research's** *Rich Greenfield* tweeted Wednesday.

PLUTO TV FINED OVER CLOSED CAPTIONING

Pluto TV and parent company **ViacomCBS** will pay $3.5 million to settle an investigation by the **FCC**'s Enforcement Bureau into alleged violations of the Commission's accessibility rules. This marks the first enforcement action tied to the FCC's IP closed captioning rules since their adoption in 2012. The Enforcement Bureau's consent decree claims the Commission has received consumer complaints since January 2018 alleging that users could not find a way to get Pluto TV's closed captioning features to work. The FCC's Consumer and Governmental Affairs Bureau tried to resolve the complaints by requiring Pluto to submit monthly progress reports detailing its progress in implementing closed captioning. The Enforcement Bureau began taking a closer look at Pluto in 2020, which determined that Pluto TV launched on several platforms without being in compliance with the IP closed captioning rules. In addition to the penalty payment, Pluto agreed to enter a compliance plan to ensure that non-exempt programming streamed by the AVOD includes closed captioning.

MEDIACOM, WEST DES MOINES MAKE PROGRESS

Mediacom and the City of West Des Moines informed an Iowa court this week that their settlement negotiations have "been productive" and they'd like a couple more weeks to try and hammer something out. The court agreed to stay the case until Oct. 11, ordering the parties to update the court on Oct. 12. Mediacom sued the city in December, alleging it improperly used taxpayer-backed financing bonds intended to remedy urban blight and poverty to build the network exclusively for the use of **Google Fiber.**

MID-BAND SPECTRUM BILL

NCTA, **CTIA** and **Public Knowledge** are throwing their support behind the Spectrum Innovation Act, which would free up mid-band spectrum in the 3.1-3.45 GHz band for wireless broadband use by the public. The bill was introduced this week by Reps *Mike Doyle* (D-PA) and *Doris Matsui* (D-CA), who modeled it on the 3.5 GHz CBRS shared-use approach. The bill would identify at least 200 MHz of frequencies for competitive bidding.

FCC AWARDS $41M FOR TELEHEALTH

The **FCC** approved 72 additional applications for Round 2 of its COVID-19 Telehealth program, doling out more than $41 million to 72 health care providers. The agency has approved more than $83 million in funding applications for the $249.95 million available in Round 2. Once $150 million in funding has been committed the FCC's Wireline Competition Bureau will announce an opportunity for all remaining applicants to supplement their applications, as required by Congress. Once they've had the opportunity to supplement, the remaining funding will be committed. Projects given a greenlight this round include $1 million to Adventist Health System West (California, Hawaii and Oregon) for tablets, webcams, headsets, and related peripherals to expand telehealth capacity and more than $700,000 for a community health center in Michigan for devices as well as expanded internet infrastructure.

CARRIAGE

Frndly TV will allow its customers to add SVOD **Hallmark Movies Now** for an additional $5.99/month starting Friday. Frndly TV's core live service starts at $5.99/month and features 21 live TV networks, including **Hallmark Channel**, **INSP** and **Curiosity Stream**.

NEWS EMMYS

CNN took home the most News Emmys Tuesday evening, with seven wins, including for its breaking news coverage of the death of George Floyd. There was a four-way tie for second, with **CBS**, The *NY Times*, **PBS** and **Vice/Vice TV** all receiving four wins each. **ABC** had three wins, while **Telemundo** received two Emmys. **CNN en Español**, **HBO**, **Hulu**, **The Weather Channel** and **Univision** are among those earning one win. The Documentary Emmys will be livestreamed tonight at 8pm ET at Watch.TheEmmys.TV.

PROGRAMMING

OWN picked up **Warner Bros. Television** courtroom drama "All Rise' for a 20-ep third season to air in 2022. **HBO Max** and **Hulu** have acquired subscription streaming rights to all episodes of "All Rise" via a deal with Warner Bros. Domestic Television Distribution. Viewers will be able to catch up on the first two seasons of "All Rise" on both Hulu and HBO Max beginning December 1, 2021, in advance of the show's third season debut on OWN. And the third season of "All Rise" will be available on both HBO Max and Hulu after it airs on OWN in 2022.

PEOPLE

John "JD" Keller is the new SVP for **Comcast**'s Mountain West Region, reporting to West Division President *Rich Jennings*. He oversees Comcast's operations serving Utah, Colorado, New Mexico, Arizona and parts of Idaho with more than 2.5 million residential and business customers and manages more than 2,500 employees. Keller succeeds *Amy Lynch*, who was named SVP, Customer Experience and Customer Operations for the West Division. – **The Paley Center for Media** named *Elizabeth Rojas* Levi as SVP of Communications and promoted *Rene Reyes* to VP of Public Programming and Festivals. Rojas Levi most recently led global communications for Nokia Enterprise. – Digital media firm **Canela Media** hired *Julieta LaMalfa* as CFO. She previously spent six years at Stout Risius Ross as an accounting and financial leader. – Former **USA**, **Comedy Central** and **truTV** exec *Andrew Budkofsky* was named advisor and Chief Revenue Officer for AVOD **Glewed TV**. He most recently was CRO and publisher at *Rolling Stone*. – *Tiffany Faigus* was elevated to SVP, Unscripted and Alternative Entertainment, **ABC Entertainment** and **Walt Disney Television Unscripted**. For the newly formed unscripted unit at Walt Disney Television, Faigus will be responsible for increasing the output and inventory of owned and distributed unscripted programming across platforms, as well as expanding the production unit's team.

Think about that for a minute...

A Slow Learner

Commentary by Steve Effros

Remember when Google started its campaign to pressure the cable industry into building a broadband infrastructure that would satisfy what they thought they needed in the future? Google, of course, was focused on the services that would be the most profitable for them to provide broadband users. How many ads? How much video? What about instantaneous massive on-line gaming?

Google didn't have the infrastructure to provide all that. They needed someone else to build the delivery backbone they wanted to use. That was us. The problem was they didn't think we were moving fast enough, we weren't building to their anticipated specifications. So they had to do something about that.

The gambit; promote Google Fiber. Fiber optics, they thought, was the ultimate answer. It could provide the speed and presumably the current cable plants could not. They were wrong about that. The cable industry was already working on new iterations of what we called DOCSIS (Data Over Cable Service Interface Specification) that could, and now does deliver dependability and speed akin to fiber. But never mind that, "fiber" was sexy, new and was great PR, so Google said it was going to build all fiber-to-the-home systems and "show" the cable industry how to deliver video and broadband the "right" way.

Well, it didn't quite work out that way. They started building, after a massively successful, if not quite accurate PR campaign and found out that running cable systems, negotiating with programmers, satisfying customers who wanted different "bundles" and providing 24/7 customer support (something they still don't do with their core services) was not so easy. Ultimately they dropped offering cable service and restricted their offering to broadband only.

Of course they wanted to show us how to build broadband, too. So they designed a "new, efficient" way to bury the fiber optic cables in the streets. Unfortunately for the communities they tried it in, the cables started popping up out of the ground. So much for that idea. Google cut back their entire program of building cable/broadband in the country. Cities did not get what they had been promised. The cable industry, however, has built that infrastructure.

So now what? Well, Google decided to dive deep into the "streaming" well. That's YouTube TV. It's a very impressive offering. As a matter of fact it gets very high marks. Oh, and it looks an awful lot like a "cable television" offering. The only difference between it and some of the high-end offerings of Comcast and other cable providers is that Google doesn't "deliver." That is, the price the subscriber pays is for the programming (and DVR, graphical interface, search and all the rest of that) not for the delivery. You have to buy that from someone else; the broadband supplier.

That's one of the reasons the "price" for YouTube TV looks so good in comparison to the offerings of cable operators. Consumers don't really connect the fact that they are actually paying for delivery separately. Nevertheless, it's a good, attractive service and the actual combined price for the consumer turns out to be roughly the same as the "cable service" they were originally getting. Customers rejoiced in "cutting the cord" only to turn around and have to pay for the cord again under a different guise. Google just doesn't tell them.

But now there's a new problem. After starting out with super-low, ($35) very attractive rates for the programming they were offering, Google has had to increase its prices drastically (now $65), to keep up with the ever-inflated costs of new programming. And now, a "blackout" looms as NBCU threatens to withdraw its product if Google doesn't agree to new contract terms! This is just the start. More on this soon. Google is a slow learner!

Steve

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(Steve Effros was President of CATA for 23 years and is now an advisor and consultant to the cable industry. His views do not necessarily reflect the views of Cablefax.)