



Allow Broadcasters to Continue Negotiating in the Free Market

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The issue:

Congress and the Federal Communications Commission (FCC) should allow broadcasters and pay-TV operators to continue to conduct private, market-driven negotiations for retransmission consent and avoid tilting the scales in favor of either party. Government intervention will only disrupt a marketplace that has resulted in more programming choices and services for local television viewers.

Here's why:

Congress has long recognized that local TV stations should be allowed to negotiate compensation with cable and satellite operators for the retransmission of their signals. Cable and satellite operators resell broadcast signals to subscribers, making billions.

While complaining about programming costs, cable and satellite companies are pocketing big profits. In 2015, AT&T/DIRECTV had revenues of \$146.8 billion and DISH had revenues of \$15.1 billion. These companies are aggressively lobbying the government to upend the retransmission consent process and weigh in on these private, market-based negotiations. This is simply an attempt to avoid fairly compensating broadcasters, who produce the highest-rated content on television.

The current free-market process provides incentives for both parties to come to mutually beneficial arrangements, which is why negotiations are completed with no service interruptions or fanfare the great majority of the time. However, in the last two years, four out of five impasses involved AT&T/DIRECTV or DISH¹ – the same big companies begging for government intervention.

These big pay-TV companies claim that broadcast retransmission fees are responsible for higher cable bills. The truth is, cable bills have risen faster than – sometimes double – the rate of inflation since the mid-1990s, long before broadcasters received cash compensation for their signals.

Despite having the highest-rated programming on television, broadcasters have routinely been the least compensated. Wells Fargo analyst Marci Ryvicker estimated that if broadcasters received retransmission consent payments at a rate comparable to what is paid to cable networks, broadcasters would receive five times their current compensation.

Broadcasters strongly oppose government intervention that would upend the retransmission consent system solely for the benefit of the big cable and satellite companies. The negotiation process is fair and market-driven. Eliminating stations' ability to negotiate for the value of their signals would mean less choice for viewers and fewer resources for stations to dedicate to local news, public affairs programming, coverage of emergency weather events and community activities.

¹ Source: SNL Kagan, "Retransmission Databases: 2014 and 2015"