

*A position paper for the owner of the Browns prior to a league meeting where they would be discussing an ongoing dispute between the NFL Network and cable operators.*

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**\*\*CONFIDENTIAL\*\***

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Below is a summary of the current dispute between the NFL Network and major cable operators. I've also attached some support documents as well as my opinion on the matter.

**The Issue**

The NFL Network (NFLN), which launched four years ago, is currently available in approximately 35 million homes – about a third of the U.S. households with TV's. Roughly 27 million of those homes are those with satellite television. The league is hoping that the figure will jump drastically if major cable operators such as Comcast, Cablevision and Time Warner offer the network as part of their basic cable packages, rather than providing it on a sports tier for an additional cost. The cable companies argue they must put it on a tier to offset their costs NFLN is charging them to carry the channel. Currently the NFLN is not on Cablevision or Time Warner at all and is only available on a sports tier with Comcast.

**Positions**

NFL Network: The NFL would obviously like to make the network available to as broad of an audience as possible - which means offering it as part of a basic cable package. By putting it on a sports tier, the network feels you are restricting the amount of homes it reaches because not all subscribers are going to pay the additional amount for the tier.

For instance, Comcast Cable currently offers the NFLN as part of their "Sports Entertainment Package" which has an additional cost per month, reported to be between \$4-8 dollars/month (NFLN was originally offered as part of their basic cable package when it first launched). Not all subscribers are opting for this additional package, thus, the move to the sports tier has been estimated to cost the network roughly 5-7 million viewers resulting in a reported loss of \$5 million in license fee revenues.

The NFL took Comcast to court trying to stop them from putting the network on a tier but lost on a New York State Supreme Court ruling earlier this year. They have appealed this decision and are hoping for a decision before the end of the season.

Cable Operators: NFLN is currently asking for .70 cents/subscriber. They feel this is too steep and cannot see a return unless they place the channel on a tier to recoup the cost. As comparison, NBA TV recently shifted from Time Warner's sports tier to a more widely available digital basic TV package. The move is expected to add roughly 7 million new homes for the channel, which would increase their homes to about 19 million. To get there, the NBA dropped its license fee from .35 cents/subscriber to somewhere in the mid .20's. Major League Baseball is also preparing a launch of its own network that will be available on basic cable packages at roughly the same rates the NBA is charging.

## Tactics

The NFLN has begun a campaign, to include a website, editorials and paid advertisement. The messaging is aimed at the providers by stating that “Big Cable is blocking Football”, as well as offering ways for consumers to contact government officials.

The league is trying to leverage the games as a scare tactic to fans who might not be able to see their favorite team play. The problem with that is that the teams playing in the game must also be shown over-the-air in the local market. For instance, this week’s game is Indianapolis at Atlanta on Thanksgiving evening. The game will be show nationally on NFLN, but also locally on WTHR NBC 13 in Indianapolis and WATL TV in Atlanta. For those who cannot get that over-the-air signal, they will not get the game unless they get the NFLN.

The fundamental question is this: Does the majority of the country care about an NFL game and NFL programming so much that they will be willing to pay for it through a dedicated 24/7 network carrying NFL programming? The league believes yes. The operators are unsure.

Some have written and argued that the outcry for the network has been limited. The league continues to believe the support is there and continues the fight. Jerry Jones, the Chairman of the NFLN Committee, was in New York City Hall earlier this month to support legislation to keep the Network on basic cable services. The proposal specifically asked that if agreements can’t be reached by both sides that it be submitted for arbitration.

The league is also trying its hand at guerrilla marketing where they are flat-out asking consumers to cancel their cable TV and get a dish service so they can see the NFL (see attached USA Today Article “*NFL Network urges cable subscribers to cancel*”).

Meanwhile, Time Warner launched a campaign called “*NFL Get Real*” to drive consumers to tell the NFL they want the network on a sports tier. Time Warner says of the NFL: “They cannot control their costs and they stick fans with the tab. They even want non-fans to pay for NFL Network.”

“In markets that already have the NFL Network, they are asking for a 350 percent increase for adding eight regular season games - games that were available to our customers last year - out of 267. This is a poor value proposition - even for fans. The NFL Network is telling fans that they will miss these games but they are wrong - our customers will not miss ANY of the home team’s games.”

It also has an online form customers can fill out that says will be delivered to the NFL telling them to “get real.”

The cable operators for the most part seem to be doing nothing. They are firm in their position and have publicly stated in various forums that they are not going to pay what they consider an exorbitant fee for a channel that in their opinion most of their consumers are not interested in. In fact, they have publicly stated that the outcry for NFLN has been minimal or non existent.