

Why Massive TV Deals for MLB May Be Hitting the Glass Ceiling

Written by Maury Brown

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If there was one storyline for baseball outside the lines that's picked up steam the last few years, it's been the explosion of media rights. Starting with the Texas Rangers, and cascading across the Angels, Padres, Astros, and certainly, the Dodgers, a new form of economic disparity has gripped the league through lucrative television rights deals. Its effects have been felt across the free agency landscape. Whether it was the signing of [Albert Pujols](#) , [Zack Greinke](#) , and [Josh Hamilton](#)

by the Angels the last two seasons, the "grab almost every warm body" moves the Dodgers have done in this offseason, or moving from being a doormat to contender by the Rangers, TV money has been at the center of how those deals happened.

But, [I said it before](#) --not once, [but twice](#) --and I'll say it again, these deals aren't going to be the same for club, and a current deal is an indicator, the glass ceiling on lucrative media rights contracts may have been hit.

Today, FOX Sports Media Group completed their purchase of SportsTime Ohio, who is owned by the Cleveland Indians. The deal is reportedly worth an approx. \$235 million, and along the

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way, the Indians could see rights fees jump \$10 million annually from \$30 million to \$40 million. FOX had been in a bidding war with Time Warner Cable. Besides the Indians, SportsTime Ohio also offers Cleveland Browns programming, OHSAA football and basketball playoffs and championships, and Mid-American Conference events.

When put up against some of the other deals that have been reached, this one looks more like the “pre-boom” media rights sale we had been seeing. It also shows that you don’t paint media rights deals with the same brush. The Los Angeles area is not Cleveland any more than the Indians are a brand on the same level as the Dodgers, or even the Angels.

But, the Astros deal, and to a lesser extent, the Padres deal, might be within closer proximity. The Astros deal is worth approx. \$1 billion and sees that split between Comcast SportsNet, the Houston Rockets, and the Astros. The two sports franchises get just over 77 percent ownership in the deal, which gives them ownership equity. The Indians are foregoing ownership equity, taking the \$230 million, and are getting a modest rights fee bump, or at least modest by comparison to the rest of the market these days. For the Padres, the deal with FOX Sports is worth between \$1-\$1.2 billion with \$50 million annually and \$200 million up-front. The rights deal sees the Padres with a 20 percent ownership equity.

So, the scales in baseball, from an economic perspective, are tipping further in favor of the clubs that reached these eye-popping deals. Where the likes of the Red Sox and Yankees used to be the sole focus, the economic disparity issue has bloomed elsewhere.

But, with some exceptions, sports TV deals are likely topping out. The reason for the ceiling being hit speaks to a larger more looming issue than just rights deals in MLB, but rather sports league as a whole.

There is a cumulative effect going on which render the explosion of media rights fees unsustainable. When you throw in the massive colligate conference sports network deals cropping up, the NFL’s massive rights deals, and regional agreements such as the Lakers with Time Warner Cable, it begins to add up. Where does the money to pay for these lucrative media rights deals come from? Subscribers. And, when you get subscription fees going through the roof, the carriers of the content, and ultimately, consumers begin to make noise. A prime example is Michael Powell, the former chairman of the Federal Communications Commission who now serves as the chief lobbyist for the cable industry. [His comments](#) on the cost of sports programming will send alarms through the industry as he cites consumer protection

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through the government.

"We all ought to wake up and be careful ... so we don't blow this into smithereens at some point and invite the government to do it for you, which I think nobody would be a winner in," Powell said in an interview earlier this month on C-SPAN's "The Communicators."

Powell isn't the only one. [In early November](#), John Malone, the CEO of Liberty Media, which owns DirecTV echoed Powell's comments saying, "The only way it is going to change in the short run is for government to intervene." The point being, the costs trickle down to those paying for cable and satellite access at home and in small business.

"We've got runaway sports rights, runaway sports salaries and what is essentially a high tax on a lot of households that don't have a lot of interest in sports," Malone said in an interview. "The consumer is really getting squeezed, as is the cable operator."

What makes Malone's comments all the more interesting is that Liberty Media is involved in Major League Baseball. As part of the massive purchase of Time Warner in May of 2007, [Liberty Media now owns the Atlanta Braves](#)

The effect within clubs around Major League Baseball is likely pronounced; get media rights deals done before the window of opportunity closes. The Phillies, for example, have their rights deal expiring in 2015. In [the #4 designated media market and nearly 3 million homes to tap](#), the club could be one of those few potential big deals left that are difference makers. For the Phillies, reaching a deal well in advance of 2015 might be prudent.

The bottom line is, don't expect too many more of these massive deals to be reached. Whether pressure from carriers, consumers, or worse, the government, cracks in the glass ceiling are becoming more obvious.

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