

In the Midst of Rebuilding, Astros Lose Leverage in CSN Houston Negotiations

Written by Maury Brown
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In advance of the overall strategy for the sale of the Houston Astros to Jim Crane, former President and CEO George Postolos, and the Houston Rockets approached NBC Sports Group about the creation of a new regional sports network that would become Comcast SportsNet Houston. The deal which sees the Astros own 46.384 percent, the Rockets owning 30.923 percent, and NBC Sports Group owning the balance at 22.693 percent was smart given the rapidly changing landscape of media deals. With the move to the American League West, the Astros would be competing with the Rangers and Angels, both of whom had landed media rights deals at a reported total of \$3 billion. While the Astros wouldn't be garnering that much, they at least would be able to potentially top out in excess of \$1.5 billion over the life of the agreement.

But, a couple of things happened along the way that has CSN Houston not reaching the revenues anticipated. In fact, the Astros and Rockets could potentially have the new RSN a loss leader, as opposed to a key revenue stream.

While the Houston Rockets made the playoffs this season, the Astros are years from the postseason. As part of the sale to Crane, then owner Drayton McLane began unloading player payroll. By the time the sale was approved in November of 2011, the team had finished the season with 106 losses and attendance ranked 19th at 2,067,016. In 2012, the Astros again finished with over 100 losses (107, to be exact), and attendance had dropped to 28th with a

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total of 1,607,733, a whopping decline of 459,283 in paid attendance or -22% from 2011. And, it appears that the team will surpass the 100 loss season mark this year.

All of this has played into the hands of carriage negotiations for CSN Houston. [According to a report in the Houston Chronicle](#)

, the “Astros/Rockets/NBC Sports Group partnership is low on funds and faces ‘tough decisions’ about its future,” according to Astros owner, Jim Crane. Currently CSN Houston is not being carried by DirecTV, Dish Network and AT&T U-verse or regional carriers such as Suddenlink and Time Warner Cable. Currently, the new RSN is only being carried on approx. 40 percent of available 2.2 million televisions in the Houston area due to the impasse. Due to limited carriage,

[Houston Rockets ratings were down one-third](#) for the season that recently ended.

Imagine that.

The issue is one of conflicting interests. The owners of CSN Houston, knowing that carriage deals of up to 20 years carries with it the need to get the most while they can, are sticking to their guns on getting the best rate possible. According to reports, that could be as high as \$3.40 per subscriber—a lofty sum, especially in light of the dismal performance by the Astros, and the possibility that it could be several years before the rebuilding gets the club into competitiveness. The owners of CSN Houston are looking at the market that has not only provided those \$3 billion deals for the Rangers and Astros, but \$2 billion for the Mariners as part of the majority purchase of ROOTS Sports NW, the Dodgers waiting for approval on a \$6-\$8 billion media rights deal with TWC, and the outcome of a [potential bidding war between FOX Sports and Comcast for a new Phillies deal](#). It is actually the cumulative weight of all these media rights deals, coupled with the self-inflicted wounds that the Astros have taken on with the fan base as part of the rebuilding that place the Astros/Rockets and NBC Sports Group at a considerable disadvantage.

And, it's not like having Jim Crane say that CSN Houston is going to have to make “tough decisions” doesn't add more leverage to those carriers that the RSN is trying to get top-dollar for. Ask yourself: if you know that an RSN is wounded, that ratings are down, and public perception of the club is low, why would you give in and offer a high rate that you are stuck with for 20 years?

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And then there's the "perception" matter. The carriers on the sideline see the Astros, Rockets, and MLS Dynamo that are carried on CSN Houston as "a small market" and therefore, not worth the amount being sought as a regional channel offering. New Astros president Reid Ryan said of the negotiations, "There's a real desire from Jim to get it right because (Crane) knows if he doesn't get it right, it could affect this club for a very, very long time," Ryan said. "There's a perception out there nationally that Houston is a small market, and what we're hearing is that people want to treat us as a small market. This is the fourth-largest city in America. It's kind of a slap in the face to call Houston a small market."

There is possible movement on the matter, but it's hard saying when that movement may come, if at all. [On Monday](#), representatives from the Astros, Rockets, NBC Sports Group and Suddenlink Communications met with Houston Mayor Annise Parker. The meetings were described as "positive" but that no resolution was reached, and none were expected soon.

The Astros may be part of bad timing as well as negotiating from a position of weakness. As we've been saying, it's possible that the media rights bubble may be close to bursting. When you couple that with the Astros poor showing in the standings and other matters such as bad PR with the sudden, unexpected resignation of George Postolos, the Astros may get broader carriage, but not at the rate they feel they deserve, or want. It's just one more thing on top of many others that have the [Astros needing to slow down with all the change](#).



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