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Houston numbers could hurt sports in carriage battles

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Surprising subscriber numbers out of Houston suggest that CSN Houston's much-watched carriage impasse is not likely to be resolved any time soon and, in fact, could start to shift the national debate over the carriage of local sports channels.

Industry sources say that DirecTV and AT&T executives believe they have withstood the pressure that came from the RSN's launch and now have most of the leverage in their carriage dispute with the recently launched regional sports network. They believe that recent subscriber trends in Houston show that Comcast's exclusive access to CSN Houston — and its high-profile sports programming — has had virtually no effect on subscriber numbers.

Multiple sources say DirecTV and AT&T have gained subscribers in Houston in the first six months since the RSN's October launch, even though they did not have access to the channel's schedule of Rockets games.

Comcast spokesman John Demming said Comcast's Houston system also had registered video subscriber increases during the same time period — the fourth quarter of 2012 and the first quarter of 2013.

But the fact that DirecTV and other providers are growing their video business in Houston, even without access to Houston's main pro sports teams, has convinced the distributors to wait out the deal.

And that's something that worries local sports executives in other markets. They fear that a long-term CSN Houston impasse — coupled with similar carriage problems that CSN Portland, the Pac-12 Networks and FS San Diego are facing — will embolden distributors to take a tougher stand against paying for local sports channels, which are among the most expensive on every cable system.

"It depends on the market," said Lee Berke, president and CEO of LHB Sports, Media & Entertainment. "Last fall, DirecTV publicly said no to the Lakers. Three weeks later they did a deal. At the same time, DirecTV also said no to the Pac-12. It still doesn't carry those [Pac-12] networks."

The nine-month carriage dispute has dominated local headlines in the Houston market and has severely cut into viewership for Rockets and Astros games. The Rockets finished the season with a 1.07 rating, down 33 percent from the previous season even though the team made the playoffs. Through the first 50 games this season, Astros ratings are down 69 percent, to a 0.43 rating. The Astros have one of the worst records in baseball.

The controversy over CSN Houston has had little direct effect on subscriber numbers in Houston, according to every source contacted for this story. As competition from telephone companies has increased, cable operators like Comcast have been losing subscribers across the country.

Sources said the losses are not the result of cord-cutting; rather, consumers are shifting to other providers.

The distribution problems have caused a rift among the channel's owners, sources say. Comcast and the Rockets have advocated dropping the channel's asking price to try and work out a deal. The Astros have resisted.

At a rate of \$3.40 per subscriber per month, CSN Houston is one of the most expensive RSNs in the country. Distributors have complained that the rate is virtually double the rate they were paying for the same games on FS Houston just a year ago.

"The problem is that there was a substantial bidding war to get these rights a couple of years ago," Berke said. "CSN Houston ended up asking for a higher subscriber fee than they have before in order to make things work financially."

Talks also have been plagued by a round of musical chairs in the negotiating room.

In May, George Postolos resigned from the Astros after an 18-month stint as its president and CEO. He was the point person on the negotiations for CSN Houston, and the club's point person on stalled distribution negotiations with the RSN.

CSN's distribution team also took a hit last month when longtime affiliate executive Dana Zimmer left to take a similar job at the Tribune Co.

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