



SROC's representation in ICASA's Subscription Television Inquiry



SROC Chairman - Mark Lichtenhein



- First elected in 2012
- Led European arm of Californian Internet start-up in the digitisation of sport in the 1990s
- 20+ year career with sports rights owners, primarily in golf, developing, selling and protecting television and digital rights

Agenda

- 1) An introduction to SROC and its mission
- 2) Licensing of broadcast rights – rights owners' perspectives
- 3) Regulation and its consequences
- 4) Conclusions

Who are the members of the Sports Rights Owners Coalition?



The Sports Rights Owners Coalition - Structure

- Created over 15 years ago
- Common interest in sports' intellectual property rights
- International membership
- Today, with over 50 members
- Sports Event Organisers who own the rights to their events

The Sports Rights Owners Coalition - Mission

- SROC is committed to protecting the vital contributions sports make to both society and the economy
- SROC seeks proper recognition of the value of sport from Governments across the world, and effective protection for their rights under law

Licensing of broadcast rights – rights owners' perspectives



What do rights owners look for in a licensing arrangement?



Balancing reach, viewership, sport growth and value



Typical broadcast rights sales process

- Through fair, open and competitive processes
 - Either through negotiation or tender
 - Subject to competition law in the jurisdiction in question
- Usually for a fixed term, not automatically renewable
- Term is usually a function of the sports cycle
 - eg, 4 year cycle of tournaments (Olympic Games, FIFA World Cup, UEFA European Championship, Rugby World Cup, Ryder Cup, etc.)

Market dynamics in a broadcast rights negotiation

- Rights owners respond to market demand
- Broadcasters use content to build a subscriber base
- Can the broadcaster reach the target fan base?
- What are the available distribution channels?
- How can the the broadcaster promote and grow the sport?

Packaging of rights

- Rights are often “bundled” into coherent packages
- Qualifying tournaments together with finals or playoffs
- Tailored to media landscape of individual markets
- Driven by local or national interest

Importance of broadcast revenue

- Broadcast revenue accounts for up to around 80% of a rights owners' revenue
- This revenue is need to re-invest into the sport
 - Tournament organisation
 - Athlete development
 - Prize funds
 - Grass roots development

Territoriality and Exclusivity

- Territoriality is a key provision in rights agreements
 - Individual sports are not universally popular
 - Sport is not a commodity
 - Value of sports varies dramatically between different territories
- Exclusivity is a key market requirement from licensees
 - Licensees need to be able to build a subscriber base
 - Licensees need time to invest in order to make a return
 - Contract duration needs to satisfy requirements of licensor and licensee

The role of the Internet

- The Internet has disrupted traditional television models
- It has blurred the boundaries of different markets and distribution media
- It has led to “device neutrality” in licensing agreements
- Licensees seek to acquire “windows of exclusivity” in live sport, rather than specific distribution media or device rights

The growth of the Internet

- Broadband capacity and speed continues to grow exponentially
- Availability continues to increase
- Costs are falling dramatically
- Reliability continues to be more robust
- 5G will revolutionise mobile capacity in coming years

The rise of OTT

- OTT has very quickly become a viable business model and an integral part of any new tender process
- Massive investments by major marketplace players
 - Disney+, Peacock, Apple+, Discovery+...
- Low barriers to entry encourage new players
 - Prime Video, DAZN, Eleven Sports...
- New opportunities for rights owners
 - UEFA.tv, Tennis Channel, NFL Game Pass, Golf+...

Regulatory issues



A common misunderstanding about subscription television

- Subscription TV practically invented start-to-finish, shot-by-shot or ball-by-ball coverage
- This content did not necessarily exist previously on FTA channels
- Public service broadcasters lack the programming capacity to show live long-form sport

“Premium” content in sport

- This newly-created content is often referred to as “Premium”
- But content is not a commodity
 - What is “premium” to one is unimportant to another
- Content is very territory specific and has a variable value
 - Subject often to performance by local heroes
- But “Premium” perception makes it a target for Regulation

Common areas of regulation

- Creating protected lists of Sporting Events of National Interest
 - Restricts the market, reduces the value of rights
- Rights “Unbundling”
 - Reduces the value of rights, detrimental to the consumer
- No single buyer rule
 - Harmful to the consumer, higher costs
- Wholesale “must carry” obligations
 - Ineffective, little return to intended target

Challenges for regulation in the digital era

Almost by definition, any attempt at intervening in, or regulating a digitally-driven market, will be obsolete before it comes into force – just witness developments in Internet Piracy



Conclusions – Sports Rights Market

- The sports rights market already operates under well-functioning, internationally-recognised norms
 - These norms are underpinned by competition law
 - Rights owners are specialists in their own field
 - Rights owners already impose numerous obligations on their licensees, including airtime commitments, promotion of the sport and FTA access

Conclusions – Regulatory intervention

- Although often well-intentioned, much as the regulation we have seen around the world results in the opposite of the desired effect with unintended consequences for other areas
- In the digital era, regulatory intervention will almost certainly be outdated and damaging by the time it is implemented



**Sport is special –
It brings us together**

Sport transcends nations, religions, ethnic origins and people of all ages. The Sports Rights Owners Coalition (SROC) is committed to protecting the vital contributions sports make to both society and the economy.

www.sroc.info

