

The State of American Network Television

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I am interpreting the question about “the state of American network television” rather loosely. The terminology provokes an array of questions for me, such as: What are the definitive qualities of a “network” – cable and broadcast – and how have they changed in response to industrial and technological developments? How do media networks function within various conglomerates? And what exactly is an *American* network? In addition to these questions, I am interested in addressing two interrelated issues concerning the state of network television: the shifting role of broadcast and cable networks in the context of business strategies for media conglomerates, and the pressing issue of retransmission consent – a policy that also has the potential to erase some significant distinctions that still remain between cable and broadcast networks.

Broadcast and cable networks have played different roles for media empires since the incorporation of broadcast into the conglomerate paradigm. While cable networks have long been a source of steady, substantive revenue (and currently provide up to 75% of operating income for a conglomerate), broadcast networks have grown much less important to the bottom line of entertainment companies -- and are becoming less significant as conduits for network programs. After all, the most (individually) profitable television viewers for a conglomerate are now those who buy DVDs or download television shows from iTunes. The “network viewer” has dropped to the third most valuable TV consumer, ahead of only those who watch the program in syndication and those who stream the shows online. One executive whom I recently interviewed complained, “Digital distribution is teaching consumers that the network broadcast doesn’t matter.” Similarly, DVD and iTunes are teaching conglomerates that the network viewer – particularly the prime-time network viewer – doesn’t matter as much in the current landscape of digital distribution. The broadcast networks’ downward slide in the conglomerate hierarchy is therefore a central concern when determining their current “state” and assessing their evolving relationships with other media.

I also hope to include a discussion of retransmission consent in our roundtable’s look at the state of network television. The growing momentum for broadcast stations to negotiate monetary compensation from cable providers to carry their signal holds significant promise for the economic outlook of broadcast networks. Cable companies paying broadcasters for inclusion on the system could actually help repair broadcast’s crumbling business model. Fees from retransmission consent deals are expected to double from just two years ago and reach \$1 billion by the end of 2010—a very attractive figure for an industry fighting its way out of an economic crisis.

However, retransmission consent could create even more problems for these networks. In their growing desperation for dual-revenue streams, broadcasters are demanding to be treated just like cable and to get paid for their signal. Should this become commonplace and widespread as many expect (CBS recently signed a landmark 10-year deal with Comcast that includes fees for carrying CBS), consumers will be paying for broadcast stations like any other channel on the cable box or satellite feed. When broadcast stations and cable networks find themselves with similar business models, the nearly century-old network-affiliate paradigm begins to appear as an

increasingly outdated legacy structure that is losing relevancy in the current climate. It is thanks to retransmission consent (and other policy initiatives, particularly those in relation to broadband) that this reevaluation of broadcast networks is, in fact, already ongoing – and perfectly timed for a roundtable on the subject. I look forward to the discussion of these issues and more in Austin.