identified in your answer to (a) Interrogatory No. 5; and (b) Interrogatory No. 6.

INTERROGATORY NO. 8. Please describe separately how pricing is best measured in the relevant product markets you identified in your answer to (a) Interrogatory No. 5; and (b) Interrogatory No. 6.

ANSWER TO INTERROGATORIES NO. 7 and 8.

7(a) and 8(a) Subject to the qualifications of its introductory statement, CFA identifies the proper measure of output as the amount of viewership delivered by the programming sold, with viewership determined in a manner to reflect the number of viewers, the time spent viewing the programming, and the qualities of such viewers which the program buyers find attractive for the purpose of sales of time to advertisers. The price is the amount paid for viewers so delivered, as adjusted to reflect the desirable qualities of the viewers.

The factors identified by CFA at this time which affect the quality or desirability of such viewers include:

(1) The value of viewers to the buyer is dependent on the demographics of those viewers;

(2) The "net exclusivity" of viewers, or number of viewers non-duplicated, is of value to buyers;

(3) To the extent the characteristics of viewership for programming may be accurately assessed in advance, at the time sales of advertising are made, that viewership is more valuable to the buyer; and

(4) See answer to Interrogatory No. 19.

Output must be assessed not only in terms of a given year, but also in terms of the ability of the programming to maintain a stream of viewers into future years.

7(b) and 8(b) Not known. See answer to Interrogatory No. 6.

INTERROGATORY NO. 9. Please identify each of CFA's competitors in the relevant markets you identified in response to Interrogatory No. 5.

ANSWER TO INTERROGATORY NO. 9. Subject to the qualifications of its introductory statement, CFA identifies its competitors as including all owners of rights to telecast programming which do or can compete in the market identified in the answer to Interrogatory '5. Such competitors specifically include, among others, without limitation, members of CFA, as well as other owners of college football rights, who can sell such rights through a conference or other affiliation of any number of individual schools, a series sold by an individual institution, or a single game sold by the participants.

INTERROGATORY NO. 10. Please identify each program which substantially competes with CFA for sales, advertising dollars, and viewers. (See CFA's Nonbinding Statement at 20).

ANSWER TO INTERROGATORY NO. 10. Subject to the qualifications of its introductory statement, CFA identifies such programs as those which are capable of competing in the market identified in the answer to Interrogatory No. 5, specifically including all college football games not televised through the CFA packages.

INTERROGATORY NO. 11. Do you contend that the time and network exclusivity provisions increase the telecast rights fees that CFA obtains?

ANSWER TO INTERROGATORY NO. 11. Because the time and network exclusivity provisions increase output (*i.e.*, properly measured viewership for CFA games), they increase the present value of rights, and thus the telecast rights fees that CFA obtains.

INTERROGATORY NO. 12. Please explain the effect on overall viewership of college football television programming that you contend will occur as the result of ABC having network exclusive to both CFA and Big Ten/Pac-10 telecasts.

ANSWER TO INTERROGATORY NO. 12. CFA believes overall viewership will increase, based on logic and assessments made by ABC.

INTERROGATORY NO. 13. Please explain how, if at all, ease of entry prevents Capital Cities from exercising market power over: (a) college football television viewers; and (b) college football television advertisers.

ANSWER TO INTERROGATORY NO. 13.

(a) As set forth in the answer to Interrogatory No. 5, college football television rights do not constitute a market, and therefore Capital Cities could not exercise market power over college football television viewers, and ease of entry is not a meaningful term in this context.

As to the market Capital Cities does compete in, CFA has no expertise at this time as to the ease of entry into sports or other fall programming, but by observation of television schedules, there appears to be no significant barrier to such entry.

As to sellers of college football television rights specifically, new syndicators and others, such as "super stations," have entered and continue to enter and offer games to viewers. During the 1980's there were at least 16 entrants into telecasting of college football. (Michael L. Glassman and Paul H. Rubin, "Are College Football Telecasts Provided Competitively?" Dec. 18, 1989, p. 8). Universities and colleges wishing to televise on their own may and frequently do so over local stations. Moreover, as shown recently by Notre Dame and in the past by other teams as well as the Atlantic Coast Conference, there is also ease of entry into network telecasting for teams or conferences selling telecasting rights to games of sufficient interest.

(b) Not known. See answer to Interrogatory No. 6.

INTERROGATORY NO. 14. Please explain how, if at all, ease of entry prevents CFA from exercising market power over: (a) college football television viewers; and (b) telecasters.

ANSWER TO INTERROGATORY NO. 14 (a) and (b). As stated in the answer to Interrogatory No. 13, misdefinition of the market makes this interrogatory unanswerable as stated. In the market in which it does compete, CFA must compete with the sale of sports programming from almost all sources, and with much non-sports programming as well.

Even considering only the sale of college football telecasting rights, however, there is great ease and speed of entry for any university or college or any combination of them sponsoring a football program, to sell telecasting rights for their football games. All that is required is that the teams attract sufficient viewer interest to warrant the purchase of their telecasting rights. All of CFA's member schools and conferences are either already selling in competition with CFA or could easily do so. For example, Notre Dame has recently shown that it is capable of selling network telecasting rights for its games, and in the past the ACC and other teams have shown their capability of doing this. Other schools and conferences have regularly considered leaving the CFA television contract and selling their television rights independently. Additionally, any team or conference can enter or expand its offerings of college football, even while participating in the CFA agreement. Such entry or expansion can be either at the local level or at regional levels through syndication or at national levels through use of superstations or syndicators. Under CFA's television plan every college football game by a member can be telecast, and thus is a potential competitor with CFA itself. There are also college teams and conferences which are not members of CFA, and which are already participating in the market, or could enter or expand their television output.

INTERROGATORY NO. 15. Please identify and explain each economic efficiency that CFA contends results from the CFA's acting as the joint sales agent for selling its members' telecast rights (i.e., "pooling").

ANSWER TO INTERROGATORY NO. 15. Subject to its introductory statement, CFA can identify at this time the following efficiencies which derived from the aggregation of its members' telecast rights.

CFA members can provide a large inventory of games from which telecasters can select while the season progresses. This permits the telecaster to choose the most popular game or games (generally according to the win-loss records or rankings of the respective teams) week by week as the season progresses. The telecaster, because it has purchased a repertoire of games, will have confidence that it will be able to deliver week after week the most popular games as the season progresses. There are numerous economic efficiencies resulting from this knowledge.

First, the telecaster will be able to deliver audiences of predictably large numbers to its advertisers, which as discussed in answers to preceding interrogatories has independent value to advertisers. Second, the telecaster will be able to deliver predictably composed audiences, *i.e.*, audiences having certain desirable demographic characteristics, another element of value to advertisers. The advertiser will be able to purchase advertising time well in advance of the event, with a high degree of confidence that the advertiser will reach the number and quality of viewers it desires to reach.

Third, the telecaster will be able to inform viewers well in advance of televising the games that it will, in fact, be telecasting the most popular teams. This permits substantial promotion associated with the sports event, and therefore increases output (as measured according to Interrogatory Answer No. 7) by itself. It also allows the telecaster to promote itself, by associating itself with some of the most popular games shown on television throughout the football season.

The knowledge of who will be telecasting the most popular games also allows advance preparations in enhancing and obtaining uniformity of the quality of the presentation of the games. The aggregation of the television rights also reduces the costs of negotiating the contracts, i.e., transactional costs, producing more economic efficiencies. Aside from reducing the number of separate negotiations with one or more telecasters, without aggregation it would be necessary for a single telecaster to attempt to collect a series of games by making contingent contracts, since failure to obtain a sufficient number of high quality games would reduce the value of the games already individually purchased. Only when the telecasting rights for a sufficient number of highly desirable games have been purchased would the entire collection possess an enhanced value with the efficiency-producing characteristics described above, and it would be difficult, if not impossible, to deliver a collection of the games of the quality and number which is permitted by television packages such as CFA's -- since the numerous individual negotiations would inevitably deprive the series of many of the best teams. A system based upon the right of first refusal of a portfolio of games avoids the need for numerous complex and contingent contracts.

Administrative efficiencies are also created by the aggregation of the television rights. CFA is able to coordinate between the purchasing telecaster and the participating colleges and universities, saving the telecaster much time and expense in administering the agreements. CFA also coordinates between the broadcast and cable networks in choosing games.

CFA allows for efficient investment in the future of college football. The CFA contracts require that all conferences be on television some number of times (the "minimum" restrictions) and that no team appear too many times (the "maximum" restrictions). These restrictions (which would be impossible to negotiate if networks negotiated with each conference independently) serve to preserve the long term health of college football and thus contribute towards maximizing the discounted present value of number of viewers over time. No other entity has proper incentives to consider the present value of the future of college football. The networks, for instance, have contracts too short to have sufficient interest in the long-term viability of college football. CFA consciously considers the long range implications of its actions.

CFA is also in a position to negotiate an increase in the number of regional games. This increases viewership in the short and long runs. Networks making individual purchases would not have the same incentives with respect to long run viewership as does CFA.

INTERROGATORY NO. 16. Please identify and explain separately each economic efficiency that CFA contends results from the CFA contractual provisions with Capital Cities that:

(a) prohibits CFA members from selling telecast rights to over-the-air networks other than ABC;

(b) prohibits CFA from selling its members' telecast rights to cable networks other than ESPN;

(c) restricts CFA members' sales of telecast rights of games played during the same time periods as ABC's and ESPN's telecasts of CFA games.

(d) sets the maximum number of times CFA members may be televised ABC's and ESPN's series of CFA telecasts;

(e) sets the minimum number of times CFA constituent groups must be televised on ABC and on ESPN; and

(f) sets the number of commercial minutes which may be televised during CFA games telecast on ABC and ESPN.

ANSWER TO INTERROGATORY NO. 16. CFA answers this interrogatory subject to its introductory statement, and with the same qualifications set forth in the preface to its answer to Interrogatory No. 15. Preliminarily, CFA answers as follows:

(a) Network exclusivity is a term which is desired by and negotiated at the request of the networks, and therefore the networks have a better understanding of its economic value than does CFA. However, CFA's understanding is that network exclusivity enhances the network's ability to deliver the audiences sought by advertisers, and provides incentives for a network to efficiently promote an identified series of college football games in a manner which would not be undertaken if games from the aggregated group could appear on another network which would free ride on that promotion. Exclusivity provisions of this nature are virtually universal in telecasting. Other benefits may derive from network exclusivity also.

(b) The benefits of cable exclusivity are the same as those for network broadcast exclusivity, discussed in (a).

(c) Time exclusivity increases the number of viewers for an individual college football game, without preventing other games from being telecast. Therefore, because of the open time period, the time exclusivity feature of CFA's television contracts enhances output, by ensuring the deliverability of predictably large quality audiences for games that do not fully overlap each other. It also permits the network or cablecaster to attain the uniformly large quality viewership which creates the economic efficiencies described in answer to Interrogatory No. 15.

(d) and (e) These two provisions, the "maximum" and "minimum" appearance provisions, work together and serve the same purpose. The long-term health and viability of college football, and thus the marketability of the CFA product, depends upon a large number of teams playing the sport at a high level of quality. The ability of a school to recruit high quality high school athletes, and therefore to enhance future output by fielding a competitive team is positively related to the number of television appearances. A school or conference which does not appear on network television is disadvantaged in recruiting. CFA's members have an interest in preserving the long-term health of college football since they will be in a position to sell television rights to games in the future. A network has less incentive to attempt to preserve the long-term competitiveness of college football, by preserving or enhancing the number of reasonably evenly matched teams competing in the sport, than does the CFA. CFA understands that a network must concentrate on short-term ratings since the network may not even have the next contract. In any event, the maximum restriction does not keep teams or games from being televised. Under CFA rules, every game is eligible for telecasting.

For the same reasons conferences with television packages have similar provisions, also aimed at maintaining competitive balance within the conference. Even agglomerations of teams which merely sign a joint television contract have a minimum provision.

(f) As explained in the preceding answer, CFA has had a greater interest in preserving the long-term health of college football than have its telecasters. Additional commercial minutes may ultimately erode viewer support, and therefore output. The telecaster at any given time may desire to sell as much commercial time as possible, to maximize profit during the term of the contract. CFA's objection to excessive advertising therefore enhances the value of the product and enhances long-range (and therefore total) output.

INTERROGATORY NO. 17. Please identify and explain any other efficiency not identified in answers to Interrogatory Nos. 15-16 that CFA contends results from the CFA-Capital Cities agreements.

ANSWER TO INTERROGATORY NO. 17. Subject to the qualifications of its introductory statement, CFA allocates rights fees to its members. Part of the fees are allocated to all members on a per capita basis. This induces schools to participate in the CFA arrangement and helps generate the benefits of a larger inventory. Such sharing contracts are almost universal in sports.

Additionally, CFA allocates revenues to schools which do appear on television, with the amount being based on the type of telecast (national or split national). This is a method of economizing on measurement and transactions costs in a situation where exact measurement would be difficult and would create no allocative benefits. Similar methods of payment are common in markets where measurement of quality is difficult and where such measurement would add nothing to allocative efficiency. See Roy W. Kenney and

Benjamin Klein, *The Economics of Block Booking, Journal of Law and Economics,* V. 26, No. 3, Oct., 1983, pp. 497-541 and Paul H. Rubin, *Managing Business Transactions, Free Press,* 1990, pp. 158-160.

INTERROGATORY NO. 18. Please identify separately the proper measure(s) for assessing each economic efficiency identified in answers to Interrogatory Nos. 15-17.

ANSWER TO INTERROGATORY NO. 18. Ultimately, the economic efficiency produced by the activities described in interrogatory nos. 15-17 is the CFA's ability to deliver programming attracting audiences of enhanced and predictable size and quality at a lesser cost than would otherwise be achieved. Individual efficiencies will effect short-term and/or long-term results. Each of the efficiencies discussed in answering interrogatory nos. 15-17 affects one of the components of audience size or quality or reduces costs of achieving a given audience size and quality, either on a short-term or long-range basis. In 15-17, the proper measures for assessing these efficiencies are addressed. Some additional discussion follows.

Efficiencies Identified in Answer to Interrogatory No. 15

A large inventory of games leads to a larger viewing audience, and one which is of more predictable size and composition. The efficient effects of delivering a large inventory of games are also described in answer to Interrogatory No. 15. Aside from permitting a higher degree of confidence that the advertiser will reach the number and quality of viewers it desires, it allows the telecaster to inform viewers in advance of televising the games that it will, in fact, be televising those popular teams. This also allows the telecaster to promote itself, by associating itself with some of the most popular games shown on television throughout the football season. Savings of transaction costs obviously reduces the cost of output, and may lead to more or higher quality output. Administrative efficiency also reduces the cost of output.

Efficiencies Identified in Answer to Interrogatory No. 16

The expenditures associated with promotion of the CFA television package would be curtailed if competing networks enjoyed the benefits of those expenditures. A network's expenditures promoting CFA television football convey valuable information to the viewers, thereby enhancing the value of the product (as defined in previous answers to interrogatories) and allowing the network to deliver audiences of greater and more predictable size, and higher quality and more predictable composition. The efficiencies produced by cable exclusivity are the same as for network exclusivity. Time exclusivity increases the number of viewers for an individual college football game and thereby enhances output, by ensuring the deliverability of predictably large quality audiences for games that do not fully overlap each other, as explained in answer to

Interrogatory No. 16(c). The appearance provisions assist in preserving and enhancing the competitive balance between the teams playing college football, allowing the product to maintain viewer interest and therefore enhancing output as defined above. Limitations on advertising time facilitates the long-term preservation of viewer interest also, thereby enhancing the value of the product and enhancing long-range (and therefore total) output as defined above.

<u>Efficiencies Identified in Answer to Interrogatory No. 17</u>

Payments to schools not appearing on television make it worthwhile for schools to join the CFA arrangement and, thus, increase the inventory of games available.

Equalization of payments to schools appearing serve to economize on measurement and transactions costs. In any given week, the best games are already chosen (subject to the various contractual restrictions), and, therefore, varying fees to schools based on viewers would have no allocative effects.

<u>INTERROGATORY NO. 19.</u> Do you contend that there is a positive correlation between advertising prices (*e.g.*, cost-per-thousand viewers) and audience ratings for college football programming? If so, explain why and identify the data relied upon.

<u>ANSWER TO INTERROGATORY NO. 19.</u> Yes, if one ignores quantity discounts due to lower average fixed costs associated with larger audiences. This result is based on data concerning advertising rates, cost per thousand, and logical application of principles of economics. It includes non-duplicated viewership inherent in higher ratings, and also the increased potential for later interaction among viewers of more widely watched programming (the "buzz factor").

INTERROGATORY NO. 20. Do you contend that Capital Cities and ESPN are incapable of aggregating college football telecast rights? If so, please describe what prevents them from doing so? If they are capable [of] aggregating rights, do you contend that they are not as efficient as CFA? If so, please explain why not.

ANSWER TO INTERROGATORY NO. 20. While it is not literally impossible for networks and cablecasters to aggregate college football telecast rights, with sufficient levels of expenditure, they could not do so as efficiently or with the same cost-savings as is achieved through a television plan wherein a group of universities and colleges sell their aggregated telecasting rights. The reasons that the individual purchase of telecasting rights is not as efficient as the aggregating of such rights are set forth in answer to Interrogatory No. 15, but include reduced transaction costs and the elimination of the potential for opportunism, hold-up and other strategic, welfare-reducing behavior.

INTERROGATORY NO. 21. For each of the years 1984-1990, please identify the games (by teams playing, the date and time of the telecast, and the identity of the telecaster) the CFA telecaster selected for distribution that was not tentatively scheduled by the telecaster under the CFA contracts' (a) 6-day selection provision; and (b) and 12-day selection provision.

ANSWER TO INTERROGATORY NO. 21. Attached as Exhibit "A" is a list of games that were televised by the networks and ESPN for the seasons 1984 through 1990. CFA has attempted to identify those games that were selected for television prior to the start of the season and those games that were selected as a result of a 6 or 12 day selection process. CFA's records do not reveal a distinction between a 6 day and a 12 day selection. Also, CFA is uncertain as to the accuracy of the 1984 game selection process.

INTERROGATORY NO. 22. Do you contend as did Drs. Michael L. Glassman and Paul N. Rubin in their pre-complaint submission to the Commission on behalf of the CFA, entitled "The Economics of College Football Telecasting" (at 1), dated May 2, 1990, that the basic goals of efficiently allocating telecasts of college football games are that:

(a) "rights to telecast games should go to that party placing the highest value on those rights;" and

(b) as many games as possible should be televised, subject only to the constraint that revenues form telecasting an additional game should at least equal costs."?

ANSWER TO INTERROGATORY NO. 22. While what is "basic" is not a precisely defined term in either economics or in law, the quoted statements do describe important goals, over the long run, of allocation of rights to telecast college football games.

INTERROGATORY NO. 23. Do you agree that until 1984 NCAA exercised monopoly power over the televising of college football?

ANSWER TO INTERROGATORY NO. 23. The CFA is devoting its efforts and those of its experts to 1991, and has no position on the state of the market in 1984, other than to observe its obvious differences from the present market.

INTERROGATORY NO. 24. Did any person who at the time was (a) a CFA officer; (b) a member of a CFA committee; (c) a CFA employee; (d) an agent of the CFA; or (e) a CFA counsel, have any involvement in any aspect of the *NCAA* litigation? If so, identify each such person and describe his or her involvement.

ANSWER TO INTERROGATORY NO. 24. CFA objects to this interrogatory on the ground that the answer would not reasonably be expected to yield information relevant to the allegations against CFA. Whether any CFA committee member, employee, agent or attorney was involved in any aspect of the NCAA litigation is not relevant to whether the CFA's television contracts are anticompetitive.

VERIFICATION

STATE OF COLORADO)
) SS:
COUNTY OF BOULDER)

Charles M. Neinas, of lawful age, being first duly sworn, upon oath states that I am Executive Director of the College Football Association, respondent herein, that I have read the foregoing answers to interrogatories, that I am familiar with the matters set forth therein, and that the same are true to the best of my information and belief.

Charles M. Neinas

CHARLES M. NEINAS

Subscribed and sworn to before me this 3rd day of April, 1991.

Carol M. Cuttino

Notary Public

My Commission Expires:
11-18-94
(SEAL)

Respectfully submitted,

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CERTIFICATE OF SERVICE

This is to certify that on the 5 day of April, 1991, a true and correct copy of the above and foregoing was delivered to the following:

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CBS 1990

CBS games selected for television prior to the start of the season:

September 15	Michigan @ Notre Dame
September 15	Pittsburgh @ Oklahoma
September 22	San Diego State @ BYU
September 22	Alabama @ Georgia
October 20	Miami @ Notre Dame
November 23	Nebraska @ Oklahoma
December 1	Auburn- Alabama
December 8	Army-Navy

CBS games selected as a result of the 6 or 12 day selection process:

October 13	Syracuse @ Penn State
October 20	Penn State @ Boston College
October 27	Oklahoma @ Colorado
November 3	Georgia Tech @ Virginia
November 10	Notre Dame @ Tennessee
November 17	Tennessee @ Mississippi
November 17	Texas @ TCU
November 24	Pittsburgh @ Penn State
December 1	Texas A&M @ Texas

ESPN 1990

ESPN games selected for television prior to the start of the season:

September 1	Texas A&M @ Hawaii
September 1	Baylor @ Nebraska
September 6	Stanford @ Colorado
September 8	Clemson @ Virginia
September 8	Miami @ BYU
September 13	Houston @ Texas Tech
September 15	Michigan State @ Syracuse
September 22	Colorado @ Texas
November 22	West Virginia @ South Carolina

ESPN games selected as a result of the 6 or 12 day selection process:

September 29	South Carolina @ Georgia Tech
September 29	Tennessee @ Auburn
October 6	LSU @ Florida
October 13	Oklahoma-Texas
October 13	Florida @ Tennessee
October 20	Alabama @ Tennessee
October 20	Florida State @ Auburn
October 27	Penn State @ Alabama
October 27	Notre Dame @ Pittsburgh
November 3	Colorado @ Nebraska
November 3	Auburn @ Florida
November 10	BYU @ Wyoming
November 10	Houston @ Texas
November 17	Penn State @ Notre Dame
November 17	Georgia @ Auburn
November 24	Virginia @ Virginia Tech
November 24	Syracuse @ Miami
December 1	Miami @ San Diego State
December 1	Florida @ Florida State

CBS 1989

CBS games selected for television prior to the start of the season:

September 16	Illinois @ Colorado
September 24	Michigan State @ Notre Dame
November 24	Arkansas @ Texas A&M
November 25	Notre Dame @ Miami
December 2	Alabama @ Auburn
December 9	Army-Navy

CBS games selected as a result of the 6 or 12 day selection process:

October 7	Virginia @ Clemson
October 14	LSU @ Auburn
October 21	USC @ Notre Dame
October 21	Tennessee @ Alabama
October 28	Alabama @ Penn State
November 4	Nebraska @ Colorado
November 11	Miami @ Pittsburgh
November 11	Air Force @ BYU
November 18	Notre Dame @ Penn State
November 25	Penn State @ Pittsburgh