

Aereo's Court Victory Puts Retransmission Consent Fees Into Spotlight

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Yesterday's [victory by Aereo in federal appeals court](#) is certain to have at least one consequence: it will put retransmission consent fees into the spotlight. For those unfamiliar with "retrans" as it is known, these are fees that broadcast TV networks and stations have negotiated from pay-TV operators. Much like the fees pay-TV operators pay to carry cable TV networks (e.g. MTV, USA, ESPN, etc.), retrans allows operators to carry broadcast networks.

Retrans fees are already a billion dollar plus revenue stream for broadcasters and by some estimates, could be a multiple of this in several years. Broadcasters see the payments as vital to keeping them on parity economic footing with cable networks. Conversely, operators see retrans as a broadcast subsidy, effectively inflating their already bloated programming costs. Retrans has been at the heart of most of the blackout battles between broadcasters and operators over the last several years.

As with rising cable network fees, burgeoning retrans fees put more pressure on operators to raise their subscriber rates. Operators have had little recourse in these negotiations to date; just imagine the diminished value of your pay-TV service if it didn't include the de facto broadcast antenna.

And that's why Aereo is so significant. For the first time, operators have a potential workaround: a partnership with Aereo for broadcast signals that can be packaged (or not) with cable networks. Aereo does not want to be seen in this light, though no surprise, [word is leaking out that it is talking to operators about potential partnerships](#). With yesterday's court win and its march toward legal legitimacy, Aereo's appeal to operators only grows.

After years of broadcasters building their case and succeeding at the negotiating table, in one technological stroke, Aereo has undermined their retrans' claims (why should operators pay when the courts say signals can be retransmitted for free?). That's not to say broadcast TV has diminished value; far from it. As I wrote a couple months ago, [Aereo also puts cable networks' value proposition in the cross-hairs](#) by highlighting broadcast's relatively strong viewership.

The problem is Aereo threatens to return broadcasters to their advertising-only roots. So never mind broadcasters' complaints about copyright infringement, for them what Aereo is really all about is potential retransmission fee infringement.

Beyond broadcasters' ongoing legal strategies, I'm hearing about even more radical potential steps to protect retrans fees if Aereo takes off, like broadcasters dropping their over-the-air availability and converting to pay-TV-only distribution (in effect becoming cable TV networks).

To be sure, we're a long, long way from anything like that, and nothing happens overnight, especially when dealing with highly entrenched business models like those in the TV business. But with Aereo's 22 city rollout coming this year, and [an in-your-face ad campaign already underway in NYC](#), Aereo's impact at the consumer level will be measurable soon enough.

As VideoNuze contributor Alan Wolk pointed out last week, [Aereo's user experience has its pluses and minuses](#) (especially for mobile use). But I'd maintain that its indisputably a low-cost option that will appeal to a certain segment of the population. Of course, how large that segment actually is will determine Aereo's ultimate impact. Regardless, once again, the Internet's disruptive force is on full display.

- See more at: <http://www.videonuze.com/article/aereo-s-court-victory-puts-retransmission-consent-fees-into-spotlight#sthash.HvhUGAYg.dpuf>