

Testimony of George Bodenheimer
Co-Chair, Disney Media Networks and
President, ESPN and ABC Sports
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Thank you, Mr. Markey and other members of the Subcommittee. It is a pleasure to be with you today. My name is George Bodenheimer. I am Co-Chair, Disney Media Networks and President, ESPN and ABC Sports.

I appreciate the invitation to talk with you today about sports programming. I have spent my entire professional career in the business of providing quality sports programming to American viewers. I know the passion that fans of all kinds feel about their favorite teams and players. And I also know that this passion carries over into issues about how and when they are able to watch those teams.

While we are here to discuss sports on television, it is important to recognize that technology is having an enormous impact on how fans enjoy sports – while television is still critically important, we also reach our consumers on the internet, through mobile devices, on the radio, and in print. ESPN’s mission statement makes this objective very clear: “To serve sports fans wherever sports are watched, listened to, discussed, debated, read about or played.”

ESPN’s efforts are one example of how The Walt Disney Company has been a pioneer in finding new ways to get content to consumers how, where, and when they want it: not just on television, but also on computers, mobile phones, and iPods. Technology and robust competition for the attention of consumers are changing the ways that content is made available. For example, about 18 months ago, ABC television launched an online broadband player on ABC.com. Viewers can watch full-length

episodes of primetime television shows *for free* whenever they want to view them. In the short time since its launch, the player has served over 240 *MILLION* episode requests.

I believe that the most significant point I can make to you today is to affirm that the markets for cable and satellite programming and distribution are more competitive than ever before.

Take a look at the competitive environment for distribution of subscription television. There was a time when American consumers had few, if any, alternatives to their local cable system. Successful public policy initiatives by Congress have changed the competitive landscape for the vast majority of consumers. Today most Americans may choose between multiple subscription TV providers including cable systems, 2 national satellite systems and, increasingly, phone companies. And these providers offer a variety of rate plans from basic tiers and low cost satellite packages offering 40 channels for \$19.99 a month, to larger and more expensive packages with hundreds of channels. As a result of this competition, subscription television today is one of the best entertainment values available to American consumers. For sports fans, in particular, a typical expanded basic level of service offers hundreds of games and thousands of hours of commentary and analysis each year at a monthly price that is less than the cost of single ticket to many professional sports events

Likewise, the competition among channels offering sports programming is more vibrant than ever before. When ESPN launched in 1979, there were many skeptics who questioned the demand for a dedicated sports channel. Today, there are dozens of national and regional channels with a vast array of sports programming. Rights holders – including the major professional sports leagues and college conferences - and several

major cable operators have launched their own sports channels. Add to this the astounding amount of live game, highlight and news coverage on the Internet, on radio and in print and it is beyond question to say that it is truly a great time to be a sports fan.

In a tough business climate, it is tempting for parties who do not get the deal they want to ask the government to intervene. I wish I could say that ESPN has been able to get every deal we have sought over the years, but that is simply not the case. There are lots of other parties out there competing for the right to carry games. And there are lots of other channels seeking carriage on cable and satellite systems. But that is how markets work. Given the fierce competition in both programming and distribution, I strongly urge you to refrain from intervening in these markets.

Several of the issues that you are examining today have again raised questions about the need for government involvement, including: the carriage of channels covering single sports, teams or conferences; the carriage of regional sports channels; and various exclusive agreements between programmers and distributors. Our overarching view is that all these should be resolved through direct negotiation and not government intervention. I also want to note that none of these issues directly involves ESPN.

ESPN is America's most popular (and for cable companies - most valuable), *national, broad-based* sports channel. ESPN is the *ONLY* channel that includes national telecasts from all of the following: the NFL, Major League Baseball, the NBA, men's and women's NCAA college sports, NASCAR plus America's favorite sports news program "SportsCenter." An increasing amount of this programming is produced in high definition, which we believe has had a profound impact on consumers' decisions to purchase high definition televisions.

ESPN is *NOT* a “niche” channel. In the 4th quarter of 2007, **87%** of subscription TV households watched ESPN. The wide appeal of our programming is undeniable. Through arm's length negotiations with its distributors, ESPN's value as part of the expanded basic tier has been well established for over 28 years.

ESPN is not just the most popular sports television network. It is among the most popular of all television networks – broadcast or cable. Just last week, cable operators responding to an industry survey ranked ESPN as having the highest valuation ever for any cable channel. Operators rated ESPN first in nearly every category, including: “Importance for Subscriber Acquisition and Retention,” “Perceived Value,” and “Programming that Generates Local Ad Sales Revenue,” among others.

We have entered into long term carriage agreements with almost all cable and satellite distributors. We voluntarily negotiate for carriage by the country's smallest cable operators through the National Cable Television Cooperative. This agreement gives small operators the buying power of our largest distributors. ESPN does *NOT* have exclusive distribution agreements with any cable or satellite distributors, and is offered to *ALL* of these companies.

To be clear, we believe that the issues raised for discussion by the Committee are best resolved through free market negotiations. But should the Committee disagree and believe some action is necessary, we urge you to recognize that the “remedies” proposed to address these issues are a particularly poor fit for – and should not apply to – ESPN. For example, some have suggested that all sports programming be relegated to sports tiers. We don't believe that tier placement should be mandated for anyone. The market should determine these issues and we think your constituents would be particularly

concerned about forcing very popular sports programming, like ESPN, onto a separate tier.

Thank you and I would be happy to answer any questions the members of the Committee may have.