Stay tuned: More fee disputes over local TV coming

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A Cablevision sign is seen in New York, Sunday, March 7, 2010. Cablevision subscribers were scrambling Sunday to hook up antennas or find live TV on the Internet in order to watch the Academy Awards after ABC's parent company Walt Disney Co. switched off its signal in a dispute over fees. (AP Photo/Seth Wenig)

(AP) -- Stay tuned for more fee disputes threatening local television stations on cable TV lineups.

Broadcasters hurt by declining ad revenue are demanding more fees from cable and other subscription TV providers to carry the stations. The providers are resisting, and in the latest tussle, Cablevision Systems Corp. dropped the ABC station in New York in the hours leading to Sunday's Oscars telecast.

More such blackouts loom as several networks and various providers across the country have contracts set to expire this year, including one covering major ABC stations in Time Warner Cable Inc. markets. All signs point to down-to-the-wire talks that could leave viewers scrambling for other ways to watch their favorite shows and major sporting events.

"There's a lot of money at stake," said Robin Flynn, an analyst at SNL Kagan. "There are a lot more fights coming up."

Such disputes used to be limited to cable channels such as CNN and ESPN, as they have long been paid per-subscriber fees by the providers. But in recent years, stations that are broadcast for free over the air have demanded such fees from cable TV and other providers as well.

That began first in smaller markets, with affiliates that are not owned by the networks but carry their programming. Now, the networks are demanding such fees for the stations they do own, especially in the larger markets such as New York and Los Angeles.

More than 3 million Cablevision customers in New York, New Jersey and Connecticut lost New York's ABC station on the day of the Academy Awards, one of the year's most-watched programs. It wasn't restored until the two sides reached a tentative deal. Viewers missed the first 15 minutes of the awards show.

The major broadcast networks, such as CBS, ABC, NBC, Fox and Univision, used to give cable TV and other operators those rights in exchange for getting some of the providers' slots for commercials, which broadcasters resell to advertisers. Sometimes, the providers agreed to carry new cable channels owned by the network's parent, such as ABC owner Walt Disney Co., in lieu of a cash payment.

The providers prefer such in-kind payments because they want to conserve the cash to invest in cable lines, trucks and set-top boxes.

But the TV networks, looking for new income as advertising revenue weakens, are increasingly saying they should be paid cash for their programs. Although the 1992 federal cable law made it possible for broadcasters to demand fees, the networks didn't start doing so for their stations until recently. It started with CBS Corp. in 2006.

CBS CEO Leslie Moonves told analysts last month that such fees were growing and provided "substantial secondary revenue stream."

Flynn expects fees for network-owned TV stations and affiliates combined to reach more than $1 billion this year. That's up from more than $750 million last year and $500 million in 2008.

While these fees went up by about 50 percent last year, cable fee increases aren't growing even close to the same pace. Last year, cable fee hikes ranged from 5 percent to 7 percent, Flynn said.

Even so, viewers might find themselves with smaller lineups. To pay for higher fees for local channels, a cable provider might have to drop several cable channels it now pays for to keep the overall fees in check. Viewers might not need multiple Disney-owned cable channels but they would complain if the cable provider drops the Disney-owned ABC station.

But if more cable channels get dropped, subscribers would have a greater incentive to cancel their cable service entirely and rely on antenna and online alternatives.

TV wins in a matchup between TV stations and operators, Moody's analyst Russell Solomon said in a research note.

Broadcast networks "have some of the most popular programming content that the cable and other pay-TV companies need to keep subscribers and stay competitive," he said.

Broadcasters contend that they are entitled to fees for their over-the-air networks because subscription TV operators charge customers for TV packages that include the local stations. They point out that their shows attract a lot more viewers than cable channels and as such they should be compensated appropriately.

But cable executives said they're already compensating broadcasters indirectly as part of broader deals for the cable channels that their parent companies own, and the cable providers said higher program fees would lead to higher cable bills. "Just like people pay more for gas when the price of a barrel of oil rises, the price we charge is directly affected by what we pay for programming," said Maureen Huff, a Time Warner Cable spokeswoman. "The only way to solve the problem is to let the networks know that viewers are not going to take it anymore."

The cable TV operators are ready to get tough - even if their viewers have to temporarily miss their favorite shows.