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***'FOOTBALL AND BROADCASTING – FRIEND OR FOE?'***

Good afternoon and thank you for inviting me to speak to you today. It is a great pleasure to see so many football people in the room, including former players, managers and administrators who have done so much for the game.

What brings us together today? A shared love of football.

Twelve years ago Sky had a marketing campaign for our football coverage. It featured the actor Sean Bean and it ended with the simple message: 'Football: we know how you feel about it. Because we feel the same.' It summed things up so well that we have used it again this season. And it remains as relevant today as ever.

It's worth remembering those words. Because the truth is that most of us, whatever role we play in football, in whatever country - started out as fans and, underneath the suits, that's still what we are.

For me it was Newcastle. For you it might have been Spurs or Stockport; Brighton or Burton Albion. It doesn't really matter: we are all in football because we love the game.

I see that you have just had a session on 'Football in a global recession'. Certainly these are tough times. But whatever the challenges the game currently faces, there is one thing I can say: if we look back over the 20 years that Sky has been involved in football, we can see a record of working together in partnership that has taken British football and British television a hell of a long way.

Together, we have built something of enduring value. We ourselves have invested around £10 billion in sport over that period, much of it in football. At the same time, football itself has continued to grow its appeal year in and year out. Working with you we have created a virtuous circle of investment, development and growth that will survive this recession and should go on to further success. Time and again, we have proved wrong those people who, on a regular basis, shake their heads sagely and pronounce that the popularity of the game has peaked.

### **Friend or foe?**

I admit to being perplexed when I was shown the proposed title to my speech: 'Football and broadcasting – friend or foe?'. As far as Sky is concerned, I want to leave you in no doubt. We have tried to be a friend to football for 20 years.

We have had a long-term commitment to the game. We do not dip in and out according to what the latest customer research tells us. We're not out to make a quick splash or a fast buck.

Sport, and football in particular, is integral to our long-term business planning. We invest in it and we support it, season after season. Despite the short-term pressures of the recession, we're still focused on the long term and we're investing more in football today than ever before.

Some people will be here today and gone tomorrow. Our objective is to be here today and tomorrow. I hope it is a friendship based on a shared concern for the strength, vitality and long-term interests of the game. And long may it continue.

It would have been very difficult to predict all of that 20 years ago, when Sky was a business of a few hundred people in a few Portakabins and, as we all know, it was a dark time for our national game. There were falling attendances, ageing facilities and an

atmosphere that was distinctly unappealing to families. Because football supporters are passionate people, they were in danger of being taken for granted.

The same, I would argue, was true of the game on television. Football delivered good audiences but, back in the days when there were just a handful of channels; broadcasters had little inclination to explore the game in any depth or to invest in its future. Live games were few and far between, and television hardly skimmed the surface of the richness and variety of football.

The whole approach could best be summed up by the example of an England game - against Greece, as it happens - where only 45 minutes was shown live by the BBC - the rest being reserved for Neighbours. You might call that truly half-hearted.

### **How football has changed**

What football has done with enormous success since that low point is to reclaim its place in the national psyche. And I think that is a fantastic achievement - one in which I am glad to say Sky has played a part.

Listing the changes that have taken place reminds us of how far football has come. Look around you here today at Stamford Bridge.

Since the start of the Premier League, we've seen no fewer than 27 new stadia built by clubs in England and Wales. Both of those countries have new national stadia. The facilities at virtually every other existing ground have been redeveloped. Anyone who can remember the old Bridge in the seventies will tell you that we are not talking about improvement: the right word is transformation.

And it has not just been about improved facilities at the elite level. There has been sustained investment in all areas of the game. The Football Foundation - funded partly through the Premier League's broadcasting income - has done some amazing work. The

Foundation spends £40 million per year on facilities that stretch all the way through football, right down to your local park. That investment has brought about positive results in virtually every town and city in the UK. At the same time, clubs from the Premier League and Football League are making great strides with their social inclusion and community programmes.

The football we watch has improved too. It is played on better pitches by great players from nearly every country in the world, with levels of skill, pace and excitement that, I believe, has never been better, whatever the nostalgia may say.

But your real success has been that the simplicity of the game has survived and flourished through every change. Football today is essentially the same game that generations of fans have grown up with. And that is a big factor in ensuring that future generations will come to love the game as well.

What has brought about this record of success? I'd say it is reflected in the theme of this conference - leadership.

Today's football executives realise that there is a lot of competition out there for the leisure pound. Fans can't be taken for granted: they have to be given respect and offered the facilities they deserve. In short, they have to be treated like genuine customers. Then they will reward you with their commitment.

### **The part that television has played**

There are parallels with my own industry. In television, we too have seen the benefits of treating people as customers, people making free and informed choices, not just as passive viewers who should be grateful for whatever is served up for them.

Throughout our history, Sky has been part of the journey that football has taken - working closely with you all the way. Football had been under-appreciated by terrestrial

broadcasters, yet we sensed there was a great opportunity out there after years of chronic underinvestment and limited competition. So we took a huge risk and bet that we could deliver on that opportunity.

Since then we have changed and developed as a broadcaster – not least by expanding into new areas like arts and drama. Or other products, like broadband and home phone services. But we have never lost sight of the importance of football to us: and we continue to invest, massively, season after season in your game.

That investment means that we have been able to take football coverage to new levels of depth and breadth. Last season, Sky showed 521 matches live and in full. There was football programming on every day of the year – and the games came from all levels – from schoolboy internationals to World Cup qualifiers and clubs from England, Scotland, Northern Ireland and Wales.

We are also transforming the experience of watching football at home. On European Tuesdays you can now watch eight different live matches from eight different countries simultaneously – on a television or your home computer. Later this year, you'll even be able to watch Sky Sports on your XBOX console and talk about the match as it happens with a community of friends.

With Sky+, there's no need to miss a second of the action, even if you can't be there to watch it live. Through the wonder of technology, you can set up a recording using your mobile phone or going online from anywhere in the world. A friend recently told me the story of how he was on a cruise down the Yangtze River when he realised that he was going to miss out on his local derby. A few clicks later and he could relax in the knowledge that it would be there on his Sky+ box when he got home. Even I still find that amazing.

Many important changes have been so widely adopted that we can scarcely imagine what it was like without them. It's hard to imagine that, before the start of Sky's live coverage of

the Premier League in 1992, there was no clock or score in the corner of the screen. Such a simple but useful innovation that is now a standard throughout the world.

There are now more cameras, greater interactivity, incredible slow-motion - and of course high definition. No-one who has watched a match in HD can ever be content again with standard definition. Yet only a year or so ago there were still broadcasters who thought that HD was a service that would only ever attract a handful of customers. How wrong they are.

Next year, we will go a step further by launching the UK's first 3D TV channel. And if you think the sight of a Paul Scholes tackle is terrifying now, just wait until you see it flying towards you in 3D. I can tell you it's going to be quite a prospect!

Seriously, if you haven't seen 3D TV yet, you have a real treat in store. We think it's going to be transformational in future sports coverage in the way HD is today.

Innovation goes hand-in-hand with promotional spend, both by us and to a lesser extent by other broadcasters. In competing for customers and for audiences, we help to build interest and excitement around the game: its place in the national culture, the narrative of its competitions, and the stature of its heroes. We spend millions every year on marketing our channels and programmes, much of it supporting football or other sports.

Further exposure comes from depth of coverage. Sky Sports News and skysports.com provide constant access to news and features. And our support programmes get even further under the skin of the game, whether it's the fun of Soccer AM or the serious round-table of Sunday Supplement, where leading journalists go behind the football headlines.

And we do all this at great value. Our entry-level price for Sky Sports starts at just 83 pence a day for football, cricket, golf and rugby all year round. And you can get all of our sports channels plus your choice of entertainment pack - including the outstanding picture

quality of HD – for a whole month for less than it costs to take the family out for a pizza. That is great value for millions of customers and they are being incredibly well served.

At the same time, we're making a growing contribution beyond our immediate business. Sky Sports Living for Sport, run in conjunction with the Youth Sport Trust, is a national programme which uses the power of sport to help children overcome a wide range of problems at school. It is available to every secondary school in the country and has already reached more than 20,000 people. At one end of the scale, a young man called Michael, who I met earlier this year, even went on to win a place in the youth squad at Fulham. However, I take just as much pleasure from the thousands of other kids who have been helped by sport to get their education back on track. As we all know, football – sport in general – changes lives for the better and it's great to be involved in that.

All of these developments have been driven by the discipline and accountability that come with operating a paid-for service. We never forget that we are a choice for customers. No one is forced to have Sky and if they don't like what we do, or they don't think it's good enough value, they are free to leave us. Believe me, that focuses our minds and provides constant stimulus to keep delivering and keep improving.

It's not just our paying customers who impose a discipline on our business. On the other side of the fence, we're equally aware that rights holders have choices as well. There are plenty of other potential partners out there, and we know that we have to work to help them build their events and create long-term value.

I believe that this dynamic between rightsholder, broadcaster and customer is hugely positive. It has made possible the virtuous circle of investment, innovation and growth that binds football and Sky together.

## **Threats**

So what about the foes? Well, I wouldn't be being honest with you if I didn't also recognise that there are some dark clouds on the horizon. There are real threats to the virtuous circle of success that we have created.

We are already working with you to combat one of those threats: piracy. We have always been vigilant in defending the value of football against those who try to watch sport illegally, either in the home or in a commercial setting. This is often seen as a victimless crime but, in reality, it is nothing of the sort. If we allow piracy to weaken the business case for investment, it will ultimately hurt the interests of football and of genuine fans by depriving their clubs of income.

I am delighted to see that both the Premier League and the Professional Footballers' Association are active members of the Creative Coalition Campaign, which is urging the government to take a strong line on illegal downloading and file-sharing. We should maintain our partnership on this issue, because it is clearly having an effect on policy-making. The signals from government on tackling illegal behaviour on-line have been much more positive as a result of the strong and united voice.

### **Listed events review**

We have also worked with the football authorities in responding to the Listed Events review which has been led by your chairman for most of today, David Davies. I have to say that I don't envy David and his fellow panel members for the difficult task that they have been asked to perform, and they deserve thanks for the thoroughness with which they have gone about it. While we await their findings with interest, we must however recognise that extending the list of events that are reserved for free-to-air television would have consequences for the income of the sporting bodies affected. That would apply if listing were to be extended more widely to international matches involving the home nations, as some have argued.

Listing a sports event against the wishes of its governing body means that that body becomes a forced seller of its rights and denies it the ability to get a fair deal from its chosen broadcast partners. To take one example, Gordon Smith, the chief executive of the Scottish Football Association, estimates that there would be a shortfall of up to £12 million per annum if his organisation were forced to sell its rights to terrestrial TV. As he says; “Scottish football cannot afford to lose this amount of money and be expected to continue to exist in the future”.

If terrestrial coverage of these events is vital to the public interest, then we already have an extremely well-funded public broadcaster which should bid for them. Yet the BBC has conspicuously failed to do so, despite the relatively low cost. Instead the BBC prefers to lobby for these rights to be offered to it at a reduced price through further intervention. In effect, the Listed Events rules are a double dip for the BBC. The licence fee already taxes the public in every corner of the UK; the BBC should not be allowed a second tax on sport so they can spend that money on other priorities.

Choosing a broadcast partner is a complex process. It involves a balance of factors including income, depth of coverage, exposure and promotional support. The people best placed to make those choices aren't politicians and civil servants, but you – the people who actually run the game and its clubs and are able to build for the long term. Let us hope the government recognises this simple truth.

### **Pay TV and Ofcom**

A threat of even greater significance is the attempt of our broadcasting regulator, Ofcom, to intervene in the pay-television industry. You may not have followed this saga as closely as I have – in fact I'm sure you haven't! But I would urge you to understand the issue in some depth.

Because, while this is clearly of major interest to Sky, it also has serious, potential consequences for football and sport in general. Everyone in the game should follow the

lead of the Premier League in considering these consequences and working to ensure they do not become real.

What is this all about? In essence, Ofcom is proposing two things: first, that Sky should be forced to sell its premium sports channels – including football – to all other pay-TV operators; and second, that the price of wholesale supply should be cut by up to 30%. The companies which are most interested in gaining access to football on the cheap are BT and Virgin Media, which have lobbied very hard on this issue.

On the first of those points, we want to see the widespread availability our sports channels. After all, they have been on cable for almost two decades.

On the second point, we are equally clear. Each and every year - and at considerable risk - we invest hundreds of millions of pounds in sports rights. In football alone, our forward commitments to rightsholders amount to more than £2 billion over the next four years. We have a right to a fair and reasonable return on that investment. And it is the market which should set the price of our channels, not the regulator.

It is important to remember that this is a competitive business and we have no divine right to succeed. The opportunity to invest, take risks and succeed is open to others, should they choose to take it.

It is frankly absurd to be told that we have to sell on our channels at regulated prices to BT – a far larger company – because it is somehow incapable of competing against us. No-one in football expects to be given the points before the match has even started. But that is exactly what BT wants.

Why does this matter to you? For two very substantial reasons.

First, it will undermine our incentive to invest in sports broadcasting rights.

If our ability to make a return on our investment in football is reduced by having to sell our channels at artificially depressed prices, then it becomes less attractive for us to make that investment in the first place. The consequences of regulatory intervention would be a new economic reality to which all of us would have to adjust.

The second reason is that it will reduce the incentive for other companies to consider bidding for rights themselves. After all, why should BT, Virgin Media, or anyone else enter the bidding, with all the cost and risk that entails, when they can pick up our channels at a risk-free, knock-down price?

As far as Ofcom is concerned, forcing Sky to sell on its channels at lower prices and hence reducing the incentives to invest in sport, is a cost-free decision. Their spread-sheet model of the TV marketplace assumes blithely that there is no risk to your income. This assumption is as unrealistic as it is dangerous.

History shows that this kind of regulatory intervention – in effect of a form of industrial planning – carries a high risk of unintended consequences. Football should not allow itself to become a casualty. Rest assured we are determined to fight these proposals every step of the way. If that means through the courts, then so be it.

The Premier League has recognised the dangers that arise when a regulator tries to set the price of sport. I hope that other parts of the football industry will study the proposals carefully and add their voices to this important debate. This will affect broadcasting investment in football at every level – international, Football League, non-league – anything that is carried on Sky's sports channels. There is no time to lose.

The Pay TV review has broad implications for the investment climate that we want in the UK and what that says about the UK as a place to do business: the ability of companies to plan for the long-term, to take sensible investment decisions and to reap the rewards of success if that follows. These incentives are a powerful force for good in our society as a whole.

## **Conclusion**

The story of football over the last 20 years shows the dramatic benefits that can be created through sustained investment. Starting from a low ebb, you have rebuilt the greatest game in the world back into a national sport that the UK can be proud of. You have done that through an unflinching focus on the making the game a fantastic experience for fans - wherever they watch it. In doing so, you have built an industry which makes a significant contribution to life in the UK - economically, creatively, socially and culturally.

Sky too has been on a journey over the last 20 years. We have accepted the challenge of competition by investing and innovating at our own risk. We have succeeded by staying focused on the people who really matter: customers.

As a result we have built a strong business which creates employment for many thousands of people, contributes to media plurality and invests in sport for the long term. Our commitment to British football has been unwavering over nearly two decades through good years and bad. We want to carry on the good work.

So the real answer to the question, 'Football and broadcasting; friend or foe?', is really very clear to me. The foes lie elsewhere. They are the people who want to take value out of your game by skewing the market to suit their interests.

In contrast you and we have delivered an enormous amount: for football; for people who work in the game; for communities up and down the country; and, above all, for fans. The potential is there for another 20 years of success. Let's work together to make sure we take it.

Thank you.

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