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Deinstitutionalization in major sports leagues : analyzing the NHL's path to competitive balance and financial stability including ideas for implementation

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**DEINSTITUTIONALIZATION IN MAJOR SPORTS LEAGUES: ANALYZING
THE NHL'S PATH TO COMPETITIVE BALANCE AND FINANCIAL
STABILITY INCLUDING IDEAS FOR IMPLEMENTATION**

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Dedicated to my mom, Brenda, for all her support and words of wisdom, my dad, Bruce,
who taught me I could do anything I set my mind to, and my sister, Taneal, who showed
me how to follow my dreams

Abstract

Using the theory of deinstitutionalization, this paper illustrates the NHL's evolution from an entity comprised of singular owner interests whereby players were exploited to a cooperative organization in which players have received significant employment gains. A historical analysis was done using the sports league as the unit of study. In comparing the NHL to the NFL, NBA and MLB, and using several studies in the sports literature, the paper found that increased cooperation among owners as well as a certain amount of liberality for players has enhanced the competitive balance and financial stability of some sports leagues. The findings were then applied to the NHL's situation using change dynamic insights from deinstitutionalization theory to suggest a new business structure for the league.

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Deinstitutionalization In Major Sports Leagues: Analyzing the NHL's Path to
Competitive Balance and Financial Stability Including Ideas for Implementation

Chapter 1 – Introduction

The mid-late 1990's were not good times for Canadian hockey fans. At the beginning of the 1995/96 season, the Quebec Nordiques, unable to sustain themselves in Quebec City, relocated to Colorado. Two years later, at the inception of the 1997/98 campaign, the Winnipeg Jets would also give up the ghost and move to Phoenix. Now, other so-called 'small-market' teams (Ottawa, for example) face similar challenges. This paper asks what we might learn from these and other stories of failed teams; what we might learn from other sports leagues about the sustainability of small-market teams and how that learning could be transferred to the NHL.

The Winnipeg Jets were sold to Minneapolis businessman Richard Burke for an estimated \$65 million USD, played their last game in April of 1997 and left for Phoenix the following season (Duhatschek, 2000). Appendix A (Silver, 1996) outlines the demise of the Winnipeg franchise from an economic standpoint and although the NHL's business structure played a small part in the downfall of the Jets, the bottom line is that none of the corporate businesses in Winnipeg, the smallest of all the NHL markets at the time, were willing to invest their money into the hockey team nor did the City or Province want to increase their financial commitment to the team by publicly funding a new arena (Silver, 1996).

On July 1, 1995, after two years of bickering political negotiations, the Quebec Nordiques were sold to Ascent Entertainment for \$75 million USD (Duhatschek, 2000). The team was bought in 1988 for \$14.8 million CAD and while there is no question

Aubut made a healthy business decision for his own good, he and his partners could no longer afford to operate the team in Canada. In Aubut's words, "The new realities of the hockey industry, the size of the Quebec City market, and the absence of adequate government help have sounded the death knell for the Nordiques." (Duhatschek, 2000, p. 245) Appendix B (Diamond, 2000; Double overtime: Hockey fans in Winnipeg and Quebec City fight to save their teams, 1995; Duhatschek, 2000; Nordiques deny government made bid to acquire part of franchise, 1995; Talks extended on Nords future, 1995) outlines the demise of the Quebec franchise from an economic standpoint.

The Quebec Nordiques were sold less than eight months after the new NHL collective bargaining agreement was ratified. Throughout negotiations, Aubut was a strong voice for small market teams. One reason he could not afford to operate his team in such a small market was the fact that some owners who want to win badly enough sometimes make bad business decisions which are a direct result of the current NHL economic system and not necessarily bad management. To avoid the impact these types of decisions would have on cash strapped small market teams, Aubut was a strong advocate for some kind of financial mechanism that would control costs (Double overtime: The NHL's season skates onto thin ice, 1994). For the purposes of possibly obtaining government funding for a new arena, he could not guarantee that labour costs would be controlled. This was due in large part to the fact that the majority of owners were willing to operate under the agreement that was negotiated which did not include a salary cap - something that Aubut was strongly hoping for (NHLPA player reps unanimously reject owners' counter-offer, 1995). Aubut said himself that a small market

like Quebec City would find it difficult to accept the status quo (Hockey night is back: With the lockout over, the NHL prepares for a short, sweet season, 1995).

In the end, both the Jets and the Nordiques left their respective cities for similar reasons with the only difference being that taxpayer money was not lost in Quebec City to the extent it was in Winnipeg. There is no telling what impact a salary cap or revenue sharing plan would have had on keeping these teams in Canada. However, if the issues remain unresolved throughout the next round of negotiations, the impact it will have on other current Canadian teams, which are doing everything they can to stay financially viable, will become apparent. These individual efforts, past and present, are explained below.

Hockey is part of Canadian culture. It is hard to fault the fans of these NHL franchises for the eventual departure of their beloved teams. The die-hard fans in Winnipeg fought tooth and nail to save their franchise, managing to raise \$13 million of their own money. Young children broke open their piggy banks and donated a life's worth of change (Silver, 1996). The average attendance in Winnipeg over sixteen of their last seventeen years of existence in the NHL was close to 90% of arena capacity. In Quebec City attendance was 96% of capacity over the last fourteen years (Attendance Figures, 2002). In both cases the attendance was constant each and every year; quite a feat considering the teams played in two of the NHL's smallest markets. And in one Canadian City that vied for an NHL franchise, there was an average attendance of over 18,000 season ticket holders before the team even existed! However, Bill Hunter's dream for an NHL franchise in Saskatoon was not to be.

Through a lot of hard work, Hunter and his staff obtained 18,694 season ticket pledges for a team that didn't exist to play in a building that was only a pile of drawings (Hunter & Weber, 2000). Towards the end of 1982 though, the dream of big league hockey in Saskatoon was becoming a reality. Hunter struck a deal with Ralston Purina who was no longer interested in owning the St. Louis Blues. The agreement included the Blues, their farm team and all the player contracts with Hunter's intention of moving the Blues to Saskatoon. He even obtained control of arena concessions, a feat that many future NHL owners could not conquer (Hunter & Weber, 2000). Of course, he would own the building and several tax breaks had already been negotiated. Many of these issues still plague Canadian teams but Bill Hunter was ahead of his time with 18,694 season ticket holders along with plans to build 126 skyboxes! Hunter had already booked 196 other events for nights when the building was not being used by his new team and had plans to televise the games on pay per view for those who couldn't get tickets (Hunter & Weber, 2000). What could possibly stop Saskatchewan from having its own NHL franchise?

Well, the NHL made it quite clear that they did not want any more teams in Canada (Hunter & Weber, 2000). This could have had a lot to do with the fact that Canadian teams were poor box office draws in American cities. Of the league's eight worst road draws in the 1983-84 season (the season after the bid), four were Canadian teams and three others were non-playoff contenders. It seemed as though American fans put Canadian teams and poor performing teams on the same scale of enjoyment (Strachan, 2000).

The City of Hamilton also made attempts to get an NHL franchise but was passed over several times. The Board of Governors did not want to take a chance on another poor road draw (Strachan, 2000).

Nine years after Bill Hunter's bid was denied, the NHL finally introduced another Canadian team into the league. The Ottawa Senators made their debut in 1992. 2002-2003's attendance figures illustrate that Canadian teams are no longer a poor road draw. In fact, out of the top ten poorest draws at the box office, only one is a Canadian team (NHL Attendance Leaders, 2003). Ironically, the Senators are on the poorest road draws list but at home have drawn an average crowd of 17,238 over the last five seasons equaling 93% of arena capacity (Attendance Figures, 2002).

The Senators ran into financial difficulty due in large part to the debt load carried by the Corel Centre, which is the building that houses the Ottawa team. In fact, the company that financed the construction of the Corel Centre, at one time, was owed nearly \$300 million. The previous owner of the Ottawa franchise, Rod Bryden, filed for bankruptcy protection (which did not include the arena) and then saw his bid to buy the team back fail (Naylor & Waldie, 2003, April 12). While Hunter made his bid for the St. Louis Blues with all his finances seemingly under control, the ownership group in Ottawa brought on the previous owner, Rod Bryden, to search for investors after they made their bid (Diamond, 2000). In fact, the main reason Ottawa was awarded an NHL franchise was because they were one of only two bids out of nine who did not question the NHL's asking price of \$50 million (Stein, 1997). Ten years later, Bryden lost the team, however, unlike the situations in Winnipeg and Quebec a white knight by the name of Eugene Melnyk swooped into Ottawa and bought the team with the intention of keeping it in

Ottawa (Naylor & Waldie, 2003, April 12). He also bought the Corel Center, which could signal the end of Ottawa's money woes. And even though Ottawa's situation is unique, the financial market they were forced to operate in made it harder to pay down the debt (MacDonald, 2003). In the words of NHL Commissioner Gary Bettman, the Senators are one of the best-managed franchises in the league (Friedman, 2003). They also finished this past season first overall in the standings (Mackie, 2003).

Professional hockey is as strong as ever in Canada. Gary Bettman has been to the Canadian cities to watch games and sees the excitement and passion it generates. He realizes that Canada produces over 50% of the hockey players in the league and that it would be a real disservice to the league if NHL hockey did not exist here (Sullivan, 2003). He understands how important hockey is to Canada and how important Canada is to hockey and wants the Canadian clubs to not only survive, but also remain fully stable and competitive. Franchise relocation from any city is heartbreaking as teams produce a vibrancy and connection with their community. Teams form a bond with the city and many charities come to depend on professional athletes to act as spokespeople (Friedman, 2003).

On the other side of the bargaining table, Bob Goodenow, Executive Director of the National Hockey League Players Association (NHLPA), echoes the players' sentiments in explaining that he does not want to see professional teams leave Canada either. Hockey north of the 49th parallel is very important to the players' union and so are six viable Canadian franchises. There is no question that the interest for the game is not equaled anywhere as it is in Canada (Sullivan, 2003).

Kevin Lowe, the general manager of the Edmonton Oilers, truly believes that because his organization is run so well and has exhausted every revenue source they can think of, the team has managed to remain fairly competitive. However, Lowe fears that if the issues of financial and competitive instability are not addressed, the NHL could see a phenomenon where the same teams continually succeed while the basement dwellers remain in the basement or just leave altogether (Sullivan, 2003). Bob Clarke, the general manager of the large payroll Philadelphia Flyers states that the Canadian cities housing NHL franchises are great hockey towns and the league cannot afford to lose them. More television sets in the United States is not a good enough reason to relocate Canadian teams. He also believes that the owner of the Flyers wants to be part of a league that includes six Canadian franchises and most other owners are also happy to support a system that will keep Canada financially viable in professional hockey (MacDonald, 2003).

Finally, from an economic standpoint, the NHL in Canada accounts for 30,000 jobs and \$1 billion in tax revenue over five years. The Vancouver Canucks alone will pay \$30 million to the government this year. However, as important as the industry is, until the NHLPA and NHL can negotiate a different system that will solve some of the league's economic problems, the government will not financially support Canadian teams any more than they already have (MacDonald, 2003).

Helping Out the Cause

Certain stakeholders of Canadian small market teams, over the last number of years, have designed solutions to help maintain some competitive and financial stability among these franchises. Governments, the league, and even the teams themselves have

contributed revenue or reduced expenses in one way or another to curb some of the losses of money and players. Most of the parties involved are adamant they have done everything they can to help their teams succeed and insist that it is time for the economic system of the NHL to change.

Governments at the local level in Edmonton and Calgary have reduced the Oilers' and the Flames' property taxes in an effort to help keep their respective teams financially viable. The City of Edmonton also spent \$10 million CAD (Public Policy Forum, 1999) out of a total renovation cost of \$14 million CAD (Kagan, 2001b) upgrading the Edmonton Oilers' venue, Skyreach Centre. Calgary's building, now known as the Pengrowth Saddledome, was constructed in 1983 by the City of Calgary and was 100% publicly financed. Renovations by the City in 1995 amounted to \$37 million CAD (Kagan, 2001b). The other four Canadian teams recently built new venues using 100% private funds with the exception of the Senators, the third smallest Canadian city to house an NHL franchise. Their building, the Corel Centre, was publicly financed to the tune of 21% by way of a provincial loan and a federal grant (Kagan, 2001b). Finally, Montreal, according to the Commissioner, was paying three times more in property tax than the rest of the league combined. In 2001, the owner at the time, Molson, accepted a tax cut from the City retroactive to 1996 in the amount of \$1.5 million per year for a total of \$11 million, which covered extra taxes plus interest (Kagan, 2001b).

At the provincial level, Alberta also leads the way and has reduced the provincial taxes on the Flames and Oilers to what they say is the lowest possible level (Public Policy Forum, 1999). Ontario helped the Senators somewhat in funding the Corel Centre

(Kagan, 2001b) and is in the process of relieving the Senators of the \$21 million outstanding (Waldie, 2003, April 29).

The Province of British Columbia and the City of Vancouver are reluctant to support the Canucks through direct funding or tax concessions (Public Policy Forum, 1999), while the Province of Quebec decided, at the time of the Public Policy Forum in 1999, to work closely with the City of Montreal and the team itself in deriving some financial solutions (Public Policy Forum, 1999). As mentioned above, the City of Montreal did decide in 2001 to reduce the property tax the Canadiens were paying.

This leaves Toronto, which is the most financially viable team in Canada (Kagan, 2001b). The Maple Leafs are at an advantage with the City of Toronto's current tax structure and the municipal government does not believe any tax concessions are necessary (Public Policy Forum, 1999).

The federal government in Canada requires shared participation between the NHL and the NHLPA before it will contribute any type of direct funding or tax concessions. This is ultimately the voice of many different governments across various levels in Canada. They want to see a firm commitment by the NHL and NHLPA to adopt a viable economic system that will keep Canadian small market teams financially stable (Public Policy Forum, 1999). Of course negotiations for a new CBA will not take place until 2004. In saying this though, the federal government did propose the development of provincial sport lotteries (Public Policy Forum, 1999) and Alberta has done so. This is addressed below when discussing team revenue generating strategies.

The league has helped Canadian teams by providing assistance to weaken the impact of the struggling Canadian dollar. The Group II Equalization Plan developed by

the NHL allows Canadian clubs to match offers submitted by American teams to restricted free agents in the Group II class. It basically helps to make up for the currency difference (Public Policy Forum, 1999). For example if a restricted Group II Edmonton player is offered \$6 million per year to play in Chicago, Edmonton can match Chicago's offer in Canadian funds and the equalization plan will make up the difference between \$6 million CAD and \$6 million USD. Eligible Canadian clubs are those ranked in the bottom two-thirds of the league in terms of team revenues (Public Policy Forum, 1999).

The Supplemental Currency Assistance Plan provides subsidies to Canadian teams as long as the team has demonstrated that their revenues fall below the league median and, at a minimum, are 80% of the league average. In other words, it is up to the team to demonstrate that they have local support through ticket, suite and dasherboard sales. Alternative to the Group II Equalization Plan, where each NHL team contributes equally, the Supplemental Currency Assistance Plan allows each team to contribute on a sliding scale depending on where they rank in the league in terms of revenues. As league revenues have increased annually, so has the assistance under this program (Public Policy Forum, 1999). The Calgary Flames received \$2.3 million in 1999-00 and then \$2.4 million in 2000-01. The Edmonton Oilers, Ottawa Senators and Vancouver Canucks each received \$2.3 and \$3.0 million in the above two years respectively. And the Toronto Maple Leafs along with the Montreal Canadians did not qualify as their revenues were above the league median (Kagan, 2001b).

League subsidies do not totally address the extreme effect the currency issue has on Canadian teams. The Edmonton Oilers lost a difference of \$17.2 million in 2002 (MacDonald, 2003, January 27) strictly because of currency imbalance. However, league

equalization payments are the start to hopefully better solutions, some of which are talked about in chapter four of this paper.

The Edmonton Oilers and Calgary Flames have also learned how to create revenue themselves. The Oilers teamed up with Molson Breweries in February of 2003 in designing a promotion that saw the brewery donate one dollar out of every case of beer sold in the Edmonton area to the Oilers. The team was hoping for a \$200,000 financial windfall (Flames, Oilers Battle Together for Survival, 2003, February 21).

The two teams have also been working together over the past couple of seasons on promoting a provincial lottery that provided each team with about \$250,000 in revenue in 2001-02. And along with Vancouver, all three Western Canadian franchises hope that their current pay-per-view television deal will pick up some extra and much needed income (Flames, Oilers Battle Together for Survival, 2003, February 21).

Finally, the Government of Alberta, much to the chagrin of the players on the two Alberta teams, imposed a 12.5% salary tax that each NHL player has to pay when in Alberta. Of course, players on the other 28 teams are not affected as much as the players on each Alberta team who play over half their games in the province. This tax produces about an extra \$6 million in annual revenue and most of it goes to the Calgary and Edmonton owners (Maki, 2003, March 6).

One other source of revenue that reduced the losses of many teams in the NHL during the 1990s and into the new century was the distribution of expansion payments paid by new teams. Each team, with the exception of the expanding teams (Atlanta, Nashville, Minnesota and Columbus) received \$3.1 million in 1998-99 and 1999-00 along with \$6.2 million in 2000-01 (Kagan, 2001b). However, with the NHL at 30 teams

now, it is unlikely that any more teams will enter the league in the near future, which means no more expansion payments are forthcoming. Had these payments not been distributed throughout the league in 2000-01, not including playoff revenue, a total of 15 teams would have lost money including the Detroit Red Wings, New York Rangers and Colorado Avalanche (Kagan, 2001b)!

The NHL finished its 2002-03 season with at least two small market Canadian teams in the red. Even with the new player tax, the lottery revenue, the tax cuts and the pay-per-view deal, Edmonton recorded about a \$2.5 million loss and Calgary lost around two to three times that amount. While the Oilers played three home playoff games, Calgary did not make the post season and each team continues to lose money (Flames, Oilers Battle Together for Survival, 2003, February 21). Vancouver, who managed eight home playoff games this year otherwise they would have barely broken even as per their general manager, Brian Burke (MacDonald, 2003, January 17), finished with a profit (Sullivan, 2003, May 16). Ottawa is now under new ownership with the ability to generate more revenue through their venue however financial details for 2002-03 were unavailable. The Canadian dollar has picked up and currently sits at about \$0.70 (Ireland, 2003, February 28) however it made its biggest jump during the off-season. Hopefully it can stay strong into October of 2003.

As discussed above, probably the biggest obstacle facing Canadian teams is the currency issue. The relative strength of the Canadian and US dollars is out of the hands of either the NHL or the NHLPA, however, any financial solutions reached have to incorporate this uncontrollable phenomenon.

To conclude this introduction, the demise of two Canadian NHL franchises has been discussed. The effort of a man who came within a whisker of owning a Canadian NHL team by using innovative financial strategies different than those of the Quebec and Winnipeg owners was addressed as was the importance of hockey to Canadian culture and pride. The chapter also explained the actions taken by governments at various levels, the league and individual teams to increase NHL franchise viability in Canadian cities. After the literature review and using the theory of deinstitutionalization, the paper will then explain changes and resistors to change in the league over the last 40-plus years that gave it the structure in place today. Finally, based on the findings, recommendations will be made to improve the league's financial and competitive situation.

Chapter 2 – Literature Review

An extensive amount of literature pertaining to change in sport has been developed using the national level as the unit of analysis. Cunningham, Slack and Hinings (1987) wrote about changing archetypes in national sport organizations from the 1970s to the 1980s. The kitchen table archetype prevalent in the 1970's (named so because the volunteers used to do most of the work at their kitchen tables in the evenings) is demonstrated by a commitment to recreational activities, a preference for volunteer staff, less specialization and standardization along with little commitment to science and technology. Conversely, the corporate professional archetype which gained momentum in the 1980s is indicated by values and beliefs illustrated as a commitment to an elite program, a preference for professional staff, greater specialization and standardization along with a greater commitment to the application of science and technology. Secondly, Hinings along with Slack (1987) wrote a paper dealing with change in the structure of national sport organizations as a result of the quadrennial planning program (a system designed to allow for the best possible performance by Canadian athletes at the 1988 Winter Olympics.) They analyzed the organizational structure of national sport organizations using the elements of specialization, standardization and centralization in assessing if the organizations were more prone to a professional structure because of the implementation of the quadrennial planning program. The results indicated that only 6 out of 36 organizations studied could be placed in the category of ideal bureaucracy.

Publication continued surrounding change in amateur sport throughout the 1980s into the 1990s and beyond. Almost all of this literature dealt with Canadian sport organizations with a few notable exceptions including Cunningham and Rivera (2001).

They used data from a questionnaire to interpret different levels of specialization, centralization and formalization in order to identify structural arrangements within NCAA Division I athletic departments. Slack and Hinings (1987) continued to study specialization, standardization, and centralization within the context of sport organizations but added contextual factors to understand the impact of planning. These included environment, task and technology, organizational scale, resources and organizational age. Kikulis, Slack and Hinings (1992) identified key elements in the organizational values of orientation, domain, principles of organizing and criteria of effectiveness for the archetypes of kitchen table, boardroom and executive office. After identifying the key elements of specialization, standardization and centralization for the same archetypes, the authors compared the sector specific design archetypes to one another in terms of all the elements.

Two published articles dealing with isomorphism in sports have both been set at the national level. Trevor Slack along with Bob Hinings (1994) used institutional isomorphism to explain how 36 national-level sport organizations, over time, became more homogenized as they were subjected to the same state mandated environmental pressures to adopt a more professional and bureaucratic design. Cunningham and Ashley (2001) investigated institutionalism along with the other two competing theories of isomorphism, population ecology and strategic choice, in deciding whether or not they were present in the perceptions of athletic directors of NCAA athletic programs surrounding the importance and delegation of managerial activities. Strategic choice turned out to be the dominant force.

The above literature deals mainly with the changes incurred when volunteer based organizations become professional based and the intention here was not to study the same changes in professional sports. However, the disagreements, conflict and negotiations that came about with the desire to maintain the traditional role of governance by a volunteer board instead of involving paid executives speaks to the underlying theme of this paper (Kikulis, 2000). The NHL needs a new economic system as the status quo is making it difficult for small market teams to remain financially and competitive viable. However, in order to adopt revenue sharing and/or cost certainty, the values and beliefs of the NHL Board of Governors and the NHLPA must change. This paper will identify why such values have not changed to this point with implications for a new viable system of governance and suggestions of how to implement it.

Much research on professional sports has focused on describing the structure of unions in major leagues along with some of the arbitration and antitrust issues prevalent in the last twenty-five years (Berry, Gould & Staudohar, 1986; Roberts, 1991; Staudohar, 1996). The impact of corporate ownership in the NHL has also been a topic of interest (Mills, 1991; Ross, 1991).

With the advent of unions, corporate ownership and wealth maximizing owners, each and every major sports league in North America has had its share of labour unrest and governance conflicts. Most of the problems have focused on free agency, revenue sharing and salary caps. Several pieces of literature have determined that these issues alone or on concert, have resulted in some sort of work stoppage over the last twenty years in all three leagues (Berry et al., 1986; Dworkin, & Posthuma, 2002; Kovach,

Hamilton, & Meserole, 1997; Staudohar, 1996). These issues as they impact the NHL will be discussed in greater detail below.

This paper views the unit of analysis, a major sports league, as one organization. A significant amount of literature has been developed arguing whether or not a professional sports league should be viewed as a single entity (Abbott, 2001; Goldman, 1989; Jacobs, 1991; Roberts, 1991, Weistart, 1984). Gary Roberts (1991) provides evidence supporting the single entity theory in his article, *Professional Sports and the Antitrust Laws*. Roberts professes that a major sports league operates as a single entity in many ways. For instance, a team cannot operate alone. Another team's presence is essential in order to generate the product of a game which is what the customer purchases tickets for. Therefore, in order to operate a team, a minimum of at least one other franchise has to exist. Arguments suggest that a professional team would not hold a lot of value if they were forced to play outside their respective major sports league (Weistart, 1984). Based on this fact, the teams survive together and depend on one another to maintain a stable existence in the market. The mere fact that each franchise breeds competition with every intention of winning games contradicts this notion, however, rivalry is simply the unusual nature of the product produced by the league – athletic competition. In fact each individual team's fortunes are intrinsically affected by the success or failure of each and every league game (Roberts, 1991).

However, every team is individually owned which in itself presents many arguments suggesting that a major sports league is just 30 odd different businesses competing against one another (Goldman, 1989; Jacobs, 1989). Corporate strategies present problems in the face of operating a league as one entity. Most notably, some

individual teams are part of a portfolio consisting of other business ventures not at all related to sport. Some are run with the intention of winning solely to maximize profits. A team's success also enables some owners to fulfill personal goals and objectives. Just owning a team, whether it's successful on the playing field or not, provides an owner with instant recognition in the community (Mills, 1991). It satisfies the ego for some and others have commented that they have all the money they need and are not in the business to make any more. Some just enjoy the company of their fellow sportsmen. Several owners involve themselves in the daily operations of the team while others leave these duties strictly in the hands of the coach and general manager (Brower, 1977). With differing goals and strategies such as these, it is hard to view a professional sports league as one single business with common objectives shared by all owners. This paper will look at the attitudes and motivations of different NHL owners as criterion to understand why revenue sharing has yet to be adopted and the barriers inherent in moving to such a system.

The fact remains that professional sport leagues do act as a single entity in some ways but as a group of separate firms in other ways. For instance, teams operate independently of one another in areas such as movement of players and the hiring of coaches. However, the negotiation of television agreements, enforcement of management rights and the setting of rules for the entry draft are done through the league as a whole (Staudohar, 1996). Beyond these policies though, the boundary becomes somewhat ambiguous. Although it has been suggested that the most successful leagues are predominated by cooperation and common control (Weistart, 1984), even well established single-entity advocates and opponents in the field of law agree that sometimes

sports leagues should be seen as single entities while in other cases, each team in the league should be recognized as a separate firm (Jacobs, 1991). Except for the case of *Fraser v. MLS*, wherein the Major League Soccer Limited Liability Company, aside from maintaining the other so called single entity attributes of a major sports league, is also the employer of all the players in the league (Abbott, 2001), no court has yet to rule if a professional sports league is a single entity (Goldman, 1989). This paper takes the approach put forth by Roberts (1991) and then suggests that the traditional major sports leagues in North America are changing their institutional business structure and as a result are appearing more like a single entity focusing on financial stability and competitive balance.

As all major professional sports leagues have undergone labour relations disruptions along with owner disagreements, articles have been written discussing the outcomes of collective bargaining negotiations and the impact the new agreements had or will have on these respective leagues (Goplerud, 1997; Hill & Groothuis, 2001; Zimbalist, 2000).

One professional sports league recognized the cause and effect described in the previous paragraph and vowed to create a solution. Zimbalist (2000) describes how the NBA attempted to negotiate their most recent CBA in order to provide a more competitive and economically stable atmosphere throughout the league. Some teams in the same league represent cities with a population difference of eight fold, some teams enjoy the luxury of playing in a state of the art facility (a few of which are even owned by the team) and some owners use supplementary business interests to help fund the team

they own. Some of these issues and how they affect the NHL will be addressed in this paper.

In his article, Zimbalist (2000) also alludes to five strategies, which could be employed to combat the issue of competitive balance. He suggests the employment of a salary cap, revenue sharing among teams, skewing the amateur draft to favour low-revenue teams, allowing teams to be re-located more easily and the creation of rival league(s). This paper will look back to a previous rival league of the NHL, albeit in a somewhat different context. It will also focus on the concepts of revenue sharing and salary caps in deciding what mechanism(s) might prove most fair and effective to combat competitive imbalance and financial instability in the NHL.

Some research has been done on the issues of revenue sharing and cost certainty as well as competitive balance measures in sports leagues. Rodney Fort and James Quirk (1995) conceptualized cross-subsidization in the form of salary caps and revenue sharing. They found that salary caps do lead to enhanced competitive balance, however, because most caps are inconsistent with league-wide revenue maximization, an enforcement problem exists. However, the authors argue that wealthy owners are not necessarily the main cause of the enforcement problem. The authors also analyzed revenue sharing and argue that competitive balance and league-wide profits will be increased in a league that shares gate receipts as well as local TV revenues. However, gate sharing alone will have no effect on competitive balance. Fort & Quirk (1995) also found advantages in the form of increased profits when studying the NFL's national TV revenue sharing policy.

On the other hand, Nicholas Jennett (1984) studied Scottish League Football in order to draw some conclusions as to the appropriate extent of cross-subsidization based

solely on revenue sharing among gate receipts. Prior to 1981-82, ticket revenue in the Scottish Football League was split 50-50 between the home and visiting team.

Afterwards, new gate receipt sharing arrangements saw the home team retain 100% of the revenue. This change led to worse records for teams located in areas with smaller populations. Most teams also saw a decline in total gate revenue with a few of the teams located in larger populated areas reaping the benefits. However, with the 50-50 split, teams in smaller markets tended to be oversubsidised preventing the larger clubs from improving existing facilities in order to attract a wider following. Jennett proposes that the optimum gate sharing line be drawn at 80-20 whereby the home team collects 80% of the revenue and the remaining 20% is paid into a central pool to be subsequently divided among the entire league. This, or a ratio near it, would still see the larger teams retain a large portion of revenue however the other teams would almost unanimously fare better compared to the 100-0 split.

Back to the NFL, in a study focusing in part on revenue sharing, Scott Atkinson, Linda Stanley, and John Tschirhart (1988) concluded that revenue sharing is an effective incentive mechanism producing a near revenue-maximizing level of equality among teams. However, they also found that NFL owners as a whole did not behave as pure-profit maximizers suggesting that some owners are also interested in the non-monetary benefits associated with winning. Thus, if too many owners feel that profits will be reduced as a result of revenue sharing, it will likely not be adopted. This paper will uncover the NHL's attitude and behaviour surrounding the issue.

Marburger (1997) concluded that along with an increase in competitive balance, revenue sharing decreases the average level of players' salaries and the absence of

revenue sharing tends to favour teams in larger markets. In addition, quality disincentives exist for small-market teams when luxury taxes are included in the mix. Put simply, if subsidies are inversely related to team revenues, a small market team might not maximize their talent pool in order to generate more of a profit for the club by collecting on the luxury tax. This led Marburger (1997) to the final conclusion that revenue sharing without a luxury tax might be the most appropriate mechanism to adopt by a league wishing to subsidize small market teams because it will improve small market finances while avoiding a disincentive or enforcement problem.

Robert Brown (1994) looked at the amount of revenue sharing among teams within certain conferences of American College Football. He found that conferences engaged in revenue sharing of higher amounts tend to be weaker than those sharing less as a result of a disincentive to build a stronger team realizing the rewards of team success diminish once the rewards are shared with conference opponents. College football is unique, however, in that all teams are rated on the same scale regardless of which conference they are in. Essentially, each conference is a separate league but the ratings are done nation wide. The same cannot be said for the NFL, NBA, MLB or the NHL. Each professional league is comprised of a group of teams whereby revenue sharing is or would be divided among the whole. This paper is concerned only with competitive balance within one league (and the financial stability thereof).

Mason (1997) demonstrated how the NFL has maintained financial stability throughout the last 40 years as a result of revenue sharing. He illustrates how Commissioner Rozelle convinced large market owners in 1961 that a loss of TV revenue for their respective teams in one year would result in significant gains for each and every

team in future years. This was done through a negotiated TV contract with CBS whereby each team would receive \$330,000. However, before the contract was negotiated, some large market clubs were receiving about \$500,000 per season in TV revenue while the small market teams received about \$150,000. Because Rozelle was able to convince owners that the league would be more viable as one entity in the future, the league saw the benefits three years later when the TV contracts increased to \$1 million per team. However, as stated earlier, revenue sharing is not always the answer and sometimes modifications are necessary. For instance, the NFL also shares the revenues generated by merchandise sales. At one point, the Dallas Cowboys accumulated about 20% of NFL licensing monies off their merchandise. The Cowboys' owner felt that he shouldn't have had to split this income evenly among all the teams in the league. In addition, Mason (1997) also suggests that owners acting as wealth maximizers undermine revenue sharing by paying too much to create a winning team. In light of this, a different revenue sharing contract might help to control the spending habits of the wealth maximizers and help to stabilize the financial viability of any sports league. This paper will discuss viable solutions for the NHL.

Rosenthal (1995) asks if revenue sharing can work in baseball. In suggesting possible solutions, he also takes a legal standpoint. Prior to mentioning any suggestions though, Rosenthal makes some very interesting arguments for revenue sharing such as the promotion of competitive balance, revenue derivation from all teams, emphasis placed on winning and greater fan loyalty. However, he also argues against revenue sharing because it may give teams a lower incentive to win along with depressed salaries, disparities in stadium revenue and a negative reaction by the fans as a result of perceived

cooperation among teams. In the end, though, Rosenthal does propose several revenue sharing ideas such as an equal distribution of all national and local television broadcasting revenues, an unequal gate receipt sharing plan and a re-purchase of every team by the league followed by a sale back to its original owner after the impact of revenue sharing is calculated. In this last solution, teams that owed money could re-finance the difference through future income. MLB now shares extensively in local revenues.

Free agency is another major issue within the realm of professional sports leagues and several studies have concluded that the free agency era has not changed competitive balance within baseball (Quirk, & Fort, 1992; Zimbalist, 1992). Vrooman (1996) suggests that those winning small market teams in baseball are dismantled then reassembled among various large market clubs resulting in a balance of relative team quality. Assuming that revenue sharing and cost certainty exist, free agency by itself, if anything, is a very small cause of financial and competitive instability. In light of previous studies done on the issue along with the fact that the current free agency rules in the NHL are quite stringent in relation to other pro sports leagues, few studies have been done on the NHL and this subject. In finding a solution to the NHL's financial imbalances, some of the strict policies surrounding free agency might have to be relaxed in order to satisfy all parties. Literature pertaining to this is discussed below.

Most of the articles surveyed point to revenue sharing as a viable solution to maintaining a financially and competitively stable league. Some of the solutions require cost certainty for maximum effectiveness whereas almost everyone agrees that the advent

of free agency has only increased competitive balance in professional major league sports.

Most of the academic research completed that is directly related to the NHL is concerned with salary determination along with discrimination towards Francophone players (Lavoie, & Grenier, 1992; Lavoie, Grenier, & Coulombe, 1992; McLean, & Veall, 1992). An exception is Richardson (2000) who wrote a paper outlining how pay and performance of individual players affects competitive balance in the National Hockey League. He actually found that competitive balance in the NHL has steadily increased over time with no correlation to the creation of expansion teams, changes in the playing rules, revisions to the collective bargaining agreement or the introduction of Bob Goodenow as the leader of the players' union. An increase in league revenues coupled with the escalation of players' salaries has not caused competitive balance to decrease either. Richardson concluded that the reverse order entry draft enables the league to sustain competitive balance. Finally, he states that an argument can be made suggesting that teams have found ways to overcome rising players' salaries and a stronger union, which, at first sight, was evident in 2002-03. For example, the Vancouver Canucks and the Ottawa Senators, each of which maintained one of the lowest payrolls (NHL Salaries, 2002-2003, 2003), finished among the top six teams in the league during the 2002-03 campaign (NHL Standings, 2002-2003, 2003). This observation, along with the evidence presented by Richardson, suggests that competitive balance is not that big of an issue in the NHL.

In a related study, during a decade that saw Major League Baseball dominated by two teams (The New York Yankees and the Atlanta Braves), Schmidt and Berri (2001)

found that competitive balance as a whole was never stronger in that league than it was in the 1990s. This paper will add to the literature by looking at other qualitative variables contributing to competitive balance (evidenced in the appendices) in the NHL.

Additionally, the paper will discuss uncover events that have led to the decline in league performance.

Professional Hockey in Canada is a social icon. The country has already lost two small market teams to American cities in the past decade. As mentioned in the introduction, Jim Silver (1996) examined the situation faced by the small market Winnipeg Jets and although their situation might not have been any different if there was revenue sharing with cost certainty in the NHL, it is possible that the result could have been avoided. Unfortunately, out of the remaining six Canadian teams, four constitute small market teams (Kagan, 2001b). The problem isn't unique to Canada. Several American teams are having trouble staying afloat so it is more than just a currency and infrastructure issue. If the past (Fischler, 1995) is any indication of what the future holds, the NHL is in for a long battle between players and owners and among owners themselves before solutions are reached.

Various articles offer suggestions to improve the business systems of pro sports leagues some of which, if looked at seriously, could help to prevent conflict in the NHL before it begins. Jon Greenwood (1995) took the opportunity to compare major league baseball to leagues outside of North America in order to find solutions to labour relation conflicts. In particular he looked at the Japanese Baseball League and the Football Association of England in describing their solutions to cost certainty issues as well as free agency. Greenwood suggests increasing player loyalty to teams by creating a limited free

agency system similar to the system in Japanese baseball. Drawing from English football, whereby a maximum salary provision used to exist, MLB should limit the amount each team can spend on free agents per year. This provides some form of cost certainty and does not impede a player from marketing his true ability. In addition, if a salary cap is not attainable, a limited revenue sharing plan should be implemented to allow small market clubs to compete in the free agency system.

Vrooman (1996) also offers suggestions for a different sort of free agency system. He says that players should be eligible for free agency once the drafting team has recouped all the expenses incurred while developing him. This would mean, according to Vrooman, that in 1994 MLB players would have been eligible for free agency after four years of service at an expense rate of \$2.53 million. This “free agency fix” (Vrooman, 1996) would result in a reduction in the number of reserved players by one fourth while increasing competition in the free agency pool by about fifty percent thus increasing financial and competitive stability in the league. It is possible that some adjustments will have to be made to the free agency system in the NHL in order to obtain some form of cost certainty. The analysis of the data over the course of this paper will disclose what solutions will and will not work. In the end, it is possible that a combination of the above two examples will help to maintain franchise viability in the NHL.

Chapter 3 – Deinstitutionalization with an Emphasis on the NHL

The first chapter of this paper illustrated the importance of hockey to Canada and Appendices C through I present the financial and competitive states of the NHL, NBA and NFL. MLB's financial and competitive state has been left out because their economic system has just recently been significantly restructured and it is too soon to measure the effects. Using the theory of deinstitutionalization, this chapter will examine the transformation of the NHL's business structure with comparisons to the other three major leagues. The final chapter will suggest some specific financial and competitive solutions the National Hockey League could adopt based on the evidence presented here along with research discussed in the literature review.

Theory

The theoretical framework employed is based on Christine Oliver's (1992) *The Antecedents of Deinstitutionalization*. Institutionalized practices are seen by organizational participants as the obvious or natural way to conduct an activity and are considered very resistant to change. They are taken for granted and maintained over extended periods of time without the need for elaboration. Organizational behaviour is sustained by the influence of history and habit, which continually reinforces certain activities (Oliver, 1992). For example, lunchtime in North American offices is at noon.

Therefore, if these practices are supposed to stand the test of time indefinitely, how is it that certain "untouchable" practices eventually disappear? Sometimes even activities that have been sustained for decades with no explanation as to their validity finally discontinue. Deinstitutionalization explains the process inherent in these changes as well as other long-standing customs and traditions. If these traditions are vulnerable to

erosion, it calls into question their stability and longevity. An examination of deinstitutionalizing pressures might also call on the circumstances explaining the conditions whereby institutional explanations might prove most powerful or appropriate (Oliver, 1992).

Influencing the course of deinstitutionalization are moderating factors that impede or accelerate the rate at which an organization's activities erode or discontinue. Organizational entropy explains natural tendencies and therefore acceleration towards the erosion or decay of institutional phenomena while inertia suggests that institutionalized activities will exhibit inevitable resistance to change. These properties moderate the rate of erosion over time and the pace of deinstitutionalization can be partially determined by their prevalence (Oliver, 1992). Figure 1 illustrates this.

Aided by the pressures of entropy and inertia, the path to deinstitutionalization commences either through dissipation whereby an institutional practice gradually deteriorates, or through rejection, which is a direct assault on the legitimacy of a long-standing activity or tradition (Oliver, 1992). For example, it is a North American custom for school children to receive holidays during the months of July and August but the fact that some schools have adapted year round classes because very few families require their children to work on the farm in the summer months anymore is an example of the former. Re-classifying job classifications away from the basis of stereotypical gender roles are an example of the latter (Oliver, 1992).

Perhaps the most important contribution of Oliver's (1992) paper is the fact that it identifies factors that are likely to predict deinstitutionalization leading to the erosion or discontinuity of certain traditions. Under certain specific conditions, social agreement

around the value of an activity or conformity to institutional pressures will not explain organizational behaviour and change. Instead, the failure of organizations to accept what was once a shared understanding of legitimate organizational conduct or a discontinuity in the willingness or ability of organizations to take for granted and continually re-create an institutionalized organizational activity will. The factors that are hypothesized to cause institutionalized organizational practices to erode and act as determinants of deinstitutionalization fall into three categories: political, functional and social. Table 1 summarizes the different pressures inherent in each factor, explained in more detail below.

Political Pressures

Certain activities and traditions will tend to erode when their legitimacy is seriously called into question. As illustrated by Table 1, the first two factors are based at the organizational level in that they wear down internal agreement on the value of certain institutional practices. The second two precipitate changes within the organization due to altering environmental conditions (Oliver, 1992).

Mounting Performance Crisis

Performance problems, financial or otherwise, are sometimes a breeding ground for internal dissent within an organization which calls into question existing practices or activities thereby creating a need to abandon or rectify such procedures in order to improve performance (Oliver, 1992). A gas station might move away from a customer service focus because consumers are too price sensitive and the extra cost of providing service cannot be recaptured in premium pricing.

Conflicting Internal Interests

This pressure arises when specific organizational stakeholders with growing power no longer possess any interest in sustaining an organizational practice or perceives the practice to conflict with their own beliefs, interests or agendas creating a disruption in unanimity and thus an antecedent for deinstitutionalization (Oliver, 1992). During the recent negotiations between Canada Post and the Postal Worker's Union, the union desired a change in workload for carriers. Although it is not clear which side of the negotiating table the increasing use of Internet mediated communication most empowers, should the policy change whereby each delivery person is obligated to carry less mail, the procedures of the post offices that distribute the mail to the carriers might have to change to account for the smaller loads.

Increasing Innovation Pressures

Consensus on the merits of an institutionalized practice may decline with a rise in power of intra-organizational entrepreneurs who offer visionary solutions to organizational problems and succeed in mobilizing political support for the imposition of alternative organizational solutions and activities (Oliver, 1992). A computer system designed to track low inventory levels and reorder on demand would result in the erosion of power and responsibility previously maintained by a purchasing department.

Changing External Dependencies

Sometimes, the perceived value of an institutional practice begins to erode because its continuity has been sustained primarily by the need to conform to the demands or expectations of an institutional constituent and the dependency on this constituent has declined or disappeared (Oliver, 1992). When the survival of an industry

in one country depends on another nation to import a large portion of goods, the subsequent refusal of that nation to receive exports might result in a transformation of procedures directed at stimulating domestic demand in said industry.

Functional Pressures

Technical or functional concerns sometimes provoke doubts about the validity or value of a practice perceived by organizational actors to maintain inherent worth aside from simple technical requirements. Therefore, these institutionalized practices are not necessarily immune from technical reevaluation or reconsideration and consequently deinstitutionalization could result from a change in the perceived utility of such practices. Again, as illustrated by Table 1, the first two pressures will occur on an organizational level while the second two emerge from environmental effects (Oliver, 1992).

Changing Economic Utility

Sometimes the economic criteria of efficiency and effectiveness begin to conflict with, or intrude on, institutional definitions of success and it is no longer rewarding to carry on under the terms of an institutionalized activity. Organizations may choose to no longer perpetuate institutional activities due to the fact that the benefits they were acquiring based on these institutional activities are no longer available (Oliver, 1992). An automobile finance company that has generously compensated their dealerships for completing precise condition reports on off-lease vehicles throughout the years could find the quality of the reports to deteriorate once that compensation is lowered.

Increasing Technical Specificity

Shifts in external constituent demands from ceremonial conformity with institutionally defined processes to the technical quality of an organization's outputs, will

tend to erode an organization's reliance on institutional definitions of appropriate practice and encourage the organization to replace these practices with more technically precise or efficiency-oriented performance measures (Oliver, 1992). A hotel that sets out to understand completely what the traveling sales rep wants in overnight accommodation, rather than just providing everything that most hotels do 'just in case', might find that sales reps don't want on-site restaurants because they take clients out for dinner. Since running a restaurant is usually a money loser for motels, increasing technical specificity might see such a hotel drop the restaurants from their chain resulting in an ability to provide a better price to the customer.

Increasing Competition for Resources

With intensified competition for scarce resources, organizations must search for new methods to distinguish themselves from the competitor. Increased competition tends to discourage perpetuation of the status quo and motivates organizations to re-evaluate existing activities (Oliver, 1992). In order to attract potential students during a demographic decline in the university age population for example, a university might alter programs, change qualification criteria or improve on-campus facilities.

Emerging Events and Data

Dissonant information in an organization's environment sometimes emerges to discredit or challenge the utility of the operating assumptions of organizations. These events may be idiosyncratic and non-repetitive but their consequences may be profound in terms of deinstitutionalizing existing activities (Oliver, 1992). The September 11th, 2001 tragedy caused the FAA to question their security measures at airports across the US and change some of the existing procedures to decrease the chance of terrorist

attacks. In addition, the sudden drop in business as a result of the attacks on the World Trade Center saw some airlines go bankrupt and initiated others to develop new and improved strategies aimed at maintaining their customer base.

Social Pressures

These pressures, unlike their political or functional counterparts, which cause organizational actors to consciously acknowledge the necessity to abandon certain practices, precipitate deinstitutionalization under conditions whereby organizations do not have a central intention of discontinuing certain activities. Table 1 indicates the unit of analysis dealt with in each of the four pressures (Oliver, 1992).

Increasing Social Fragmentation

Leader succession, high turnover and increases in workforce diversity will tend to obstruct the continued existence of organizational customs and traditions. Historical discontinuities are created that act to sever an organization's links with the past and forestall the reproducibility of activities over time. Employees from new backgrounds entering an organization might bring with them different attitudes that erode the consensus surrounding certain activities (Oliver, 1992). The new president of a company might bring an attitude that grants employees more empowerment thereby phasing out bureaucratic policies in decision making or large numbers of female hires might yield more family friendly working hours and benefit structures.

Decreasing Historical Continuity

Organizational mergers and vertical integration commonly introduce a new culture into an organization thereby disrupting the historical continuity of its value system, which creates social pressures on the organization to revise established

procedures (Oliver, 1992). A company that merges a smaller, casual branch of business with a larger, stricter conglomerate might have to revise its customer service policies to maintain efficiency while preserving morale.

Changing Institutional Rules and Values

These are akin to state or societal pressures on an organization to conform to public demands and expectations. They typically displace or deinstitutionalize previously institutionalized practices that were once considered appropriate organizational activities in an earlier context (Oliver, 1992). A provincial privacy act would cause many financial institutions to disregard old accords with fellow creditors and instead become leery when asked to share a customer's personal information.

Increasing Structural Disaggregation

When the structure of an institutional field becomes more physically dispersed, loosely connected or locally differentiated, deinstitutionalization of collective values and practices are more likely to occur (Oliver, 1992). An automobile manufacturer might have to conform to the requests of its assembly line staff to accommodate prayer in its Middle Eastern operation plants.

Methodology

Using a historical analysis based on the method in L.R. Gay and P.L. Diehl's (1992) *Research Methods for Business and Management*, many data sources were consulted and assessed for their authenticity and accuracy. The sources looked at included over 200 magazine and newspaper sources made up of mostly the *Edmonton Journal* and the *Globe and Mail*, issues of *The Hockey News*, various articles and books written by academic scholars and economists in the area of sport, books written first hand

by league and union officials in professional sport, first-hand interviews of league and union officials in the popular press, the collective bargaining agreements of the NHL, NFL, NBA and MLB. In addition, *Kagan World Media* provided a consistent and reliable source to compare NHL, NFL and NBA financial figures. Finally, David Cruise and Alison Griffiths' *Net Worth: Exploding the Myths of Pro Hockey* was used as a source for many of the early events in the NHL as well as a yardstick for later events. The book was renowned by several personalities in the area of professional hockey such as Stan Fischler (1995), who has been a sportswriter for over 50 years along with *Globe and Mail* sportswriters, William Houston and David Shoalts (1993), for its reliability and accuracy. The book itself was compiled using a cross-section of many hockey books, magazines and publications. The authors were also able to locate first-hand data in the Ontario provincial and National Archives of Canada as well as various newspapers across North America (Cruise & Griffiths, 1991).

Once the bibliographic sources of all academic data were assessed for relevancy, the appropriate sources were collected and also analyzed for relevant bibliographic sources until the academic data was near saturation and the same references began appearing. Then, all relevant sources were analyzed. Each piece of data was coded as it related to the early institutionalization of the league or one or more of the political, functional or social antecedents resulting in deinstitutionalization. Specific quotations were also recorded from several interviews of league and union officials. Once all the necessary information was pulled from all the relevant sources, the information was summarized to result in an explanation of the hypothesis (Gay & Diehl, 1992).

To enhance quality and credibility, all relevant material was analyzed to consider data supporting or refuting the main hypothesis. The researcher does have a prior connection to the National Hockey League as a fan and is particularly interested in seeing one small market team, the Edmonton Oilers, become financially viable and more competitive. However, prior knowledge of the league and the game was mostly in the area of player personalities, skills and statistics and game strategy while business issues were limited to only what was in the sporting news. The researcher attempted to leave all personal bias out while letting the data speak to the hypothesis described in the next section (Patton, 1999).

The rest of the chapter is outlined as follows. First, there is an analysis of the business structure of the NHL illustrating long-standing practices and activities that characterized the league in its earlier years. Its early institutionalization is described and subsequent deinstitutionalization hypothesized. The deinstitutionalization theory is then brought in and a process of evaluation is undertaken that parallels the Theory section. With each pressure, there is a speculation on how it might be present in the NHL followed by an analysis of evidence illustrating the effect on, or absence from, the league. Finally, the inertial effects are discussed suggesting specific reasons why change in the NHL has been held up.

Early Institutionalization of Organizational Practices in the NHL

The NHL, like most professional team sports leagues in their early formative stages, was originally a loose oligopoly comprised of individual owner interests wherein tacit collusion supported a social construction of taken-for-granted employment relations with the players. Since there was little overt cooperation, a type of invisible hand was the

only mechanism available to ensure the preservation of the collective structure of the league.

This is not to say that there were no linkages among certain teams. In fact, James E. Norris essentially controlled all four American NHL teams from 1944 and for several years afterward¹, however, he invested mainly in the Detroit Red Wings and let the other three languish under ineffectual management happy as long as they did not lose money. Conn Smythe ran the Toronto Maple Leafs as part of Maple Leaf Gardens, Ltd. (Cruise & Griffiths, 1991) and Jos. Cattarinich along with Leo Dandurand owned the Montreal Canadiens (Kagan, 2001b). As a result, the Red Wings, Maple Leafs and Canadiens dominated the league from 1943-44 to 1966-67² (Klein & Reif, 2001).

So even though the league had the appearance of a single and cooperative entity because one man owned or operated two-thirds of it, Norris's personal desire to see only his Red Wings succeed demonstrates that individual interests came before league welfare. In addition, the commissioner of the league at the time, Clarence Campbell, who was hired in 1946, provided minimal leadership from his office of two. His mandate was to keep the players in line (Cruise & Griffiths, 1991) while the real business took place in the six individual arenas housing each team. When the owners did get together, constant squabbling ensued while each was careful to guard his profits (Cruise & Griffiths, 1991).

Some of the income jealously guarded by each owner came in the form of television revenue starting in 1955-56. The Canadian teams received substantially more than the American franchises³ (Cruise & Griffiths, 1991) due to the popularity of the game in Canada but refused to share any of it in order to establish a stable and competitive league. By 1960 the popularity of the game in the US had seriously waned

but instead of working in cooperation with each other and the US network stations, the governors voted to dissolve their broadcast committee (Cruise & Griffiths, 1991) and the league structure continued to take the form of a loose conglomeration of franchises depending mostly on individual gate receipts that subsequently would not share television revenues as a league until 1984 (Cruise & Griffiths, 1991; Stein, 1997).

Even when the idea of expansion came around in the mid 1960s, several governors including Smythe were vehemently opposed because they did not want any new teams taking their players. Of course, expansion did take place in 1967 but only after Bill Jennings of the Rangers convinced the governors that it was necessary to thwart the creation of a rival league, protect themselves from anti-trust action and lure network TV (Cruise & Griffiths, 1991). Most of the governors only concerned themselves with their team and not the league's interests. It was not until Jennings put forth some tangible reasons that would affect each individual owner similarly that the institutionalized practices of the collective unit finally began to break down.

Strict employment relations with the players also remained institutionalized for many years after the initial formation of the league. Three mechanisms that kept salaries depressed and management in complete control included the reserve clause, the standard player's contract and management's refusal to disclose salaries (Cruise & Griffiths, 1991).

The reserve clause was an economic system used in the NHL for a number of years (Quirk & Fort, 1999 pp. 21 & 23). A player signed what was called a C-form, which turned his rights over to one team for life. No other team could then approach that player, and he could not sign with another club unless traded. Some players signed the C-

form as early as age fifteen. Although almost certainly legally unenforceable, the C-form itself was never challenged (Cruise & Griffiths, 1991 p. 143). Such taken-for-granted acceptance of inequitable outcomes is a common hallmark of institutionalized practices in labour markets.

A second document that made it nearly impossible for players to capitalize, either directly or indirectly, on their hockey careers was the repressive standard player's contract. As the wording in the reserve clause was ambiguous, player contracts were not negotiated but simply decreed by management. Players were only paid during the season, which amounted to about six months out of the year, and had to take part in promotional activities put on by the club for nothing. They were also forbidden to take part in their own promotional activities or play another sport in the off-season unless the club granted permission. This rarely happened (Cruise & Griffiths, 1991).

A third mechanism that kept salaries depressed was management's refusal to disclose salaries. This was one of their most powerful and effective weapons. It stopped the players from comparing and seeking more money because of what another player was making⁴ and maintained high profits for franchises⁵ (Cruise & Griffiths, 1991).

In addition, the players had no type of grievance or arbitration system to turn to and were completely at the mercy of the team that owned them. The League President, who was of course hired by the owners, settled any salary disputes (Berry et al., 1986, pp. 209-210; Cruise & Griffiths, 1991).

These strict employer-employee relations combined with self-serving agendas by each individual owner provided the groundwork for a highly institutionalized set of

labour practices in the NHL. Similar situations were seen in the formative years of other North American professional sports leagues.

For example, Arthur Soden, a part owner of baseball's 1879 National League Boston Braves, invented the reserve clause. Its intention was to control player salaries by restricting competitive bidding for players by league teams. Even though it was challenged in court, the owners came up with two other justifications for the clause: it was needed to preserve the public's faith in the integrity of the sport along with competitive balance within the league (Quirk & Fort, 1999 p. 55).

Along with the NHL and MLB, the other North American professional sports leagues maintained some sort of mechanism similar to the reserve clause. The NBA had a renewal clause indicating that teams could renew a player's contract for the same salary as the previous year (Miller, 1991) which eventually, through arbitration in 1969, gave way to an option/compensation system that still limited player movement as teams signing free agents had to relinquish a player (Noll, 1991). The NFL maintained a system similar to the option/compensation system known as the Rozelle Rule, named after the first commissioner of the modern day NFL (Berry, et al., 1986, p. 100).

Perhaps the tendency for each league to maintain these restrictive systems is best explained by using DiMaggio and Powell's (1983) paper on institutional isomorphism. Resulting from standard responses to uncertainty, mimetic isomorphism (DiMaggio & Powell, 1983) forces one unit in a population to look like similar units that face the same set of environmental conditions (Hawley, 1968). Each league knew that such restrictive devices would keep salaries down as the supply of eligible players would be kept to a minimum, however, none of them really knew what would happen to competitive balance

and the integrity of the game if the clauses were removed. Fearing the worst, the leagues' mimicked each other without any scientific validity to back up their claims and the practices remained imbedded for years.

Because of these restrictive systems, the owners in each league did not necessarily have to cooperate with one another financially because their main expense, player salaries, were low enough for even the smallest of markets to handle. Baseball owners made continued attempts to avert free agency without ever discussing revenue sharing (Miller, 1991). Six of the wealthiest NBA owners would not give into local revenue sharing and maintained unified resistance to any modifications⁶ (Quirk & Fort, 1999 pp. 64-65). Even though they were the earliest of all the leagues that agreed to put collective interests first, the NFL also went a number of years with minimum cooperation⁷ (King, 1994, September 19).

To conclude, every North American professional sports league maintained very similar institutionalized ideals promoting separate ownership interests while keeping player gains to an absolute minimum. The twelve separate deinstitutionalization pressures put forth by Oliver (1992) will now be discussed as they relate to the NHL. Over time, the league has changed to reveal an institution where the owners are learning to recognize the importance of overall interests apart from the agendas of their separate teams. The players have also made significant gains especially in the area of compensation. The next section will illustrate the process undergone by the NHL to arrive at these points. In addition, certain deinstitutionalized features of the other major leagues are described throughout to illustrate how the NHL is still void of some aspects that have the potential to transform it into a more financially balanced and competitive league.

The Deinstitutionalized Stages

The following discussion will illustrate how the league went from an institution of single owner interests and player exploitation to one of league recognition with increased gains for players. Throughout this section, absent pressures providing examples of a lack of deinstitutionalization in certain areas, along with examples of inertia in the next section, will give some reason as to why the league is in its current state. The last chapter will provide recommendations that would see the NHL deinstitutionalize further in the direction discussed to constitute a more financially and competitively stable organization.

Political Pressures

Mounting Performance Crisis

Recall that this pressure stems from performance problems prompting an organization to reevaluate current procedures and practices. In the case of the NHL, performance problems in the form of financial instability and competitive imbalance particularly as manifested in small market teams continue to encourage the league to reevaluate its current business structure. However much change motivated by performance factors has already taken place. The problems described are happening in a league quite different to the one described in the previous section. No longer are players paid paltry salaries; in fact, quite the opposite is true. And no longer are owners working to satisfy their interests only. National television deals are now shared among all the teams and expansion has grown the league to five times its size in 1944. But it is also clear that a complex interplay of factors continues to endanger the viability of some teams, a realization that contributes to on-going change pressures for new labour-management solutions at the league level.

Conflicting Internal Interests

Examples of political dissensus or conflicting interests that aim to disrupt unanimity and agreement among the collective unit of NHL players and owners surrounding aspects of the league institution will surely provide the groundwork for certain practices to fall. Enough dissent by players regarding their treatment by owners or significant conflict between owners in terms of what is right for the good of the league might cause highly change resistant practices to erode or disappear.

NHL players finally made some strides as a group and acquired limited collective power when the NHLPA was successfully formed in 1967. The first CBA was negotiated in 1975 (Appendix J) with subsequent major agreements negotiated in 1982 and 1986 (Appendix K). Salary arbitration, discussed later, and free agency were negotiated into these agreements but the players' major concessions were gains for their pension fund (Berry et al., 1986; Cruise & Griffiths, 1991; Stein, 1997). It wasn't until 1992, fueled by a collection of power and dissent resulting in a strike, that players received significant gains in the area of free agency along with a collective increase in revenue (Appendix L) (Fischler, 1995; Staudohar, 1996; Stein, 1997). However, the NHL still has the strictest free agency rules of the four major sports leagues in North America (Staudohar, 1996) illustrating that there is further room for deinstitutionalization.

In comparison, The Major League Baseball Players Association (MLBPA) took early steps to remove themselves from the exploitive hands of the owners. Salary arbitration was negotiated around the same time as in the NHL but due to early and militant revolts by the players, very liberal free agency rules were employed around the same time (Appendix M). The MLBPA has remained very cohesive since the adoption of

free agency in 1976 and their collective power (Berry et al., 1986; Miller, 1991) has helped to successfully institutionalize these practices.

In terms of conflict among owners, as a result of different business philosophies and interests in combination with 30 competitive owners spending in pursuit of the Stanley Cup (Appendix N) (Fischler, 1995; Friedman, 2003, February 1; Matheson, 2003, February 18), salaries continue to rise in the NHL. Deinstitutionalization of the individual owner driven league dynamic has to occur through the inclusion of some kind of mechanism aimed at reducing wage expenses otherwise small market teams will become non-existent. The big market governors still do not agree that local revenue sharing is the answer and probably won't until they find that the benefit of reduced salaries outweighs the cost of lower take-home and local television receipts (Quirk & Fort, 1999, p. 92). Therefore, a good part of the ownership group still has its own interests at heart (Appendix O) (Cruise & Griffiths, 1991; Sheehan, 1996) and even though parts of this institution have slowly eroded away as described later, there is still some distance to go.

Increasing Innovation Pressures

This pressure speaks to innovative techniques within an organization that alter the balance of power between players (Oliver, 1992). In the case of the NHL or the NFL, NBA and MLB for that matter, the major actors that make decisions on league business are the Board of Governors, comprised of one representative per team. The major decision maker that represents the players is the union. The Board of Governors yields one vote per team on all issues, such as expansion, unless a team wishes to abstain. This has always been the case (Stein, 1997). The NHLPA has continually been set up much

the same way as each team elects a representative to vote on all issues (Cruise & Griffiths, 1991).

In addition, even though the athletes now receive significantly more compensation than they used to, there are no suggestions that the change was due to any sort of innovative technique or process established by the NHLPA and agreed to by the league. Also, the owners themselves have not increased cooperation among one another in similar fashion. Even if there were such cases, this pressure alludes to the power of a major actor in the NHL eroding away because an innovative technique is established to improve owner cooperation or better employee-employer relations within the organization. It is safe to say that the owners and players in the NHL will change over time, however, since their positions are the foundation of the league and essential to its operation, each will retain voting and structural power.

Changing External Dependencies

In the early years of the NHL, particularly before the first wave of expansion in 1967, the league depended mainly on gate receipts at the team level for revenue, which basically served the interests of individual owners (Cruise & Griffiths, 1991). With the advent of substantial television income, however, greater cooperation among owners was needed to access and maintain these revenues, which contributed to new practices and procedures.

But television-friendly changes were slow to come since the owners were unaccustomed to driving changes at the league level. Little was done in fact, (Berry et al, 1986; Cruise & Griffiths, 1991; Radar, 1984) (Appendix P) until Gary Bettman took over as commissioner in 1993. He attempted to expand the audience by making the game user-

friendlier for the casual fan (Gorman & Calhoun, 1994, p. 77). Better camera angles were added making it easier to see the puck and rules were instituted to decrease fighting (Staudohar, 1996 pp. 138-139). The league also involved NHL players in the Olympics to develop worldwide recognition (Stein, 1997) and started to market the marquee players (Fischler, 1995, p. 55). Quicker line changes were added to speed up the game and the league has tried to crack down on the obtrusive and defensive play by administrating “obstruction” penalties (Houston, 2003, January 20), which are infractions called away from the puck. Appendix Q goes into more detail on these initiatives.

As much as the NHL has done to improve the game in order to attract a larger national audience and increase shared revenue, the NFL and NBA discovered this important external dependency much earlier and subsequently changed some of their practices to adapt to it. The NFL decided to increase its following and add to its Sunday afternoon lineup of games with a prime time match every Monday night beginning in 1970. They let ABC increase production units for Monday Night Football while scheduling match ups between the fiercest of competitors. Certain aspects of the game were highlighted to increase the audience base (Chandler, 1991). Appendix R describes some of the details behind the NFL’s television transformation and the advent of Monday Night Football. The NBA has also successfully adapted its game to television and continues to do so by meeting with television networks on a steady basis. Years ago, the league added a three-point shot and sped up the game by adding a 24-second shot clock. The league has also been very successful in developing worldwide recognition by marketing itself as a brand name. They have offices all over the world and in 1997 were

broadcasting games in 180 countries (Rifkin, 1997). Appendix S highlights some of these practices.

The NHL has done a lot to increase adaptability to a wider audience through new sources thereby deinstitutionalizing somewhat the rigidity of singular owner interests. However, compared to the NFL and the NBA, the league has barely penetrated the market. By changing even more to attract these outside sources, the NHL has the ability to transform into a more cooperative league.

Functional Pressures

Changing Economic Utility

It has been suggested that institutionalized rules and procedures sometimes prove incompatible with effective task performance and organizational efficiency. The institutionalized functional utility of a practice might be questioned when it begins to compromise efficiency (Oliver, 1992). In the case of the NHL, the process of holding player compensation to an absolute minimum was the previous tradition imbedded in league ownership aimed at generating a maximum profit. A change in such a practice resulting in higher profits while increasing player benefits and compensation or cooperation among owners suggests a transformation of institutional ideals.

In 1962, Chicago offered to buy superstar Frank Mahovlich from Toronto for \$1 million (Dowbiggin, 1993). Without a doubt, Chicago knew that if they had Mahovlich, attendance would rise to more than make up for the initial \$1 million investment. However, this approach to recruiting players went against institutionalized practices and the owners strictly believed without proof that paying such an exorbitant amount for a player would inflate salaries significantly resulting in bankruptcy for the league. The

Mahovolich deal didn't go through, but it wouldn't be long before the changing economic utility of players apparent in Chicago's thinking began to upset the status quo.

The St. Louis Blues were a team ridiculed by the other owners for their reckless spending (Stein, 1997), however, they were following a new found utility and in 1991 paid their star Brett Hull, \$7.3 million over three years – up from \$125,000 per year. They also signed free agent Scott Stevens to a deal worth \$5.1 million over four years – up from \$300,000 per year. The team then increased ticket prices and were still able to sell out their arena for the first time in a decade. Spending an additional \$2.25 million per year in salary on two good players yielded an additional \$6 million in 1990-91 (Cruise & Griffiths, 1991). Appendix T outlines the economic theory suggesting why professional team sport athletes earn the salaries they do (Quirk & Fort, 1999) with examples of spending habits from competitive owners (Kagan, 2001b). It also argues that most professional team owners, no matter how competitive they are, still want to earn a profit from their team (Quirk & Fort, 1999). New payment philosophies have enabled owners to run a somewhat more efficient league with an increased ability for them to sign players they feel will raise fan support and ultimately profits for the team. This has resulted in significant gains for the players.

Increasing Technical Specificity

Institutionalization breeds under conditions of goal ambiguity and technical uncertainty. Greater clarity in the causal processes by which organizational goals are achieved will tend to deinstitutionalize prevailing superstitions or beliefs about the appropriate or legitimate means of obtaining organizational ends (Oliver, 1992). With the incredible surge in player salaries over the last two decades, professional sports leagues

have been searching for ways to control spending among owners and maintain a competitive league. Without the ability to control salaries through restricted movement mechanisms, most major leagues have had to learn to understand the process that causes salaries to escalate and create technically precise solutions that both the owners and players can agree on.

Pete Rozelle and the NFL managed to create a revenue sharing solution to combat this problem even before salaries began to escalate by understanding that the consequence of large market teams competing against small market teams would result in a competitive imbalance (Harris, 1986). Even when salaries were low, large market owners still had more money to play with and could outbid inferior owners for players on the selling or trading block. As the NFL's success with television revenue grew and its 60-40-gate receipt scheme (whereby 60% of the ticket revenue generated from each game is distributed to the home team and 40% to the visiting team after 15% is deducted from the total for home field administration expenses) continued, the wealth of the league maintained its fairly even distribution (Staudohar, 1996; Zimbalist, 2000) resulting in a competitive balance evidenced by Table 2. Relative to these high revenues, salaries remained low because player movement was still restricted (Staudohar, 1996). These restrictions led to a player uprising resulting in two strikes (Appendix U) (Ahlburg & Dworkin, 1991) but when the dust settled, the players essentially traded freedom of movement for a salary cap (Appendix V) which rises with league revenues (Dworkin & Posthuma, 2002). Table 3 indicates an even higher increase in competitive balance. The financial success of the league and increase in player salaries is outlined in Appendix I

and illustrated by team in Tables 4 and 5. Table 6 shows how popular the game is with attendance based on percent of capacity at many venues in the high 90s.

With the free agency concessions received by players after the NBA's merger with the American Basketball Association (ABA) and the subsequent rise in salaries, the NBA was able to convince the National Basketball Players Association (NBPA) to allow the institution of a salary cap in 1983. This was the first such evidence of cost certainty in North American major league sports since the advent of free agency. The NBA understood the direction they were headed in if they did not do something to curb salaries and since the large market owners made a pact to not share in local revenue⁶, the league designed a system that would force teams to adhere to a spending limit. The cap has been modified several times and the last CBA agreed to in 1999 actually placed restrictions on individual salaries resulting in a transfer of monies from the superstars to the balance of the league (Appendix W) (Dworkin & Posthuma, 2002; Gorman & Calhoun, 1994; Noll, 1991; Zimbalist, 2000). However, comparing Table 2 to Table 3, the latest agreement has not resulted in an increase in competitive balance. Appendix H and Tables 7 and 8 indicate the league is still not financially stable and salaries are the highest of the four major leagues. Attendance figures in Table 9 show that venues are generally not as full in relation to the NFL based on percent of capacity.

The MLBPA remained strong and unified for years refusing to give up their hard fought free agency concessions (Appendix M) (Berry et al., 1986; Miller, 1991) while placing the onus on the owners to learn how to cooperate. Finally, in 1995, both the players and the league agreed on a luxury tax system that would transfer monies from the wealthy teams to the lesser however the exchange was minimal. In the last agreement, the

owners finally agreed to share substantially more in local revenue and league-wide sharing has increased from 20% to 34% (Appendix X) (Dworkin & Posthuma, 2002; Major League Baseball Collective Bargaining Agreement, n.d.; Miller, 1991; Naylor, 2003, January 21; Sheehan, 1996). 2002-03 is the first year that the new deal is operational and therefore its success is hard to measure at this time.

Pressures in the NHL to integrate this improved understanding of the technical specificity of cost and revenue solutions still exist but it remains the only league without any type of cost restraining mechanism. The owners want cost certainty and the players want the owners to adopt revenue sharing or cooperate more (Friedman, 2003, February 1; Sullivan, 2003, March 31). The last section of this chapter will outline the inertial forces keeping the NHL from adopting these solutions and the last chapter will discuss ways to alleviate those forces.

Increasing Competition for Resources

The NHL is currently the superior hockey league in North America, if not the world. The league as a whole has little competition for its main resource, elite hockey players. The formation of a new league with similar appeal might cause the NHL to change some of its current practices and procedures in order to keep attracting its main resource. As a result of this change, should the league take the appearance of one with more cooperation or increased control and compensation for players, the causes for such deinstitutionalization might be considered an antecedent consistent with the theme throughout this paper.

In 1972, The World Hockey Association (WHA) became direct competition with the NHL for professional hockey players and began plucking players from NHL teams in

their reserve years. The NHL argued that its reserve clause, which essentially tied a player to his team for life by adding on an extra year at the end of a contract, barred players from competing on other professional franchises, however, this clause was in direct violation of the Sherman Ant-Trust Act by restricting players from negotiating with or shifting teams or leagues (Cruise & Griffiths, 1991). As a result, the NHL was forced to remove the reserve clause and they replaced it with a free agency in exchange for compensation plan (Cruise & Griffiths, 1991; Houston & Shoalts, 1993, p. 126).

This was still quite a restrictive mechanism, however, because of the competition between leagues for resources, player salaries rose from an average of \$28,500 in 1972 to \$96,000 in 1977 (Cruise & Griffiths, 1991). The NHL finally decided it had to merge with the WHA in order to curb salaries. It took three years of negotiations between owners on both sides and in 1979 a deal was struck (Stein, 1997). But, had the players from both leagues used this competition to their advantage, deinstitutionalization would have been quite evident resulting in a system whereby their compensation might have increased dramatically possibly forcing owners to cooperate more themselves.

Under antitrust laws, the NHLPA had to approve the merger, which put them in an excellent bargaining position to have the free agency rules further revamped. However, unlike the NBPA, who was in a similar position, they did not use the opportunity to its full advantage and approved the merger for as little as \$200,000 a year in annual benefits (Cruise & Griffiths, 1991).

The NBPA on the other hand, by way of an antitrust suit, refused to let the NBA merge with the ABA from 1970-1975. It was not until a new CBA was negotiated in 1976 abolishing compensation payments for free agents and replacing it with a right of

first refusal clause that the NBPA agreed to the merger (Cruise & Griffiths, 1991; Noll, 1991).

The reluctance of the NHLPA to use a competing league as leverage to negotiate a better CBA no doubt played a role in the players' relatively low average salaries throughout the 1980s while the NBPA's new CBA as a result of competition with the ABA, helped to increase salaries substantially. In 1988, the average NHL salary was \$179,000 compared to \$500,000 in the NBA (Cruise & Griffiths, 1991).

Emerging Events and Data

Irrefutable or unexpected events in the NHL organization that result in increased gains for the players or increased cooperation among the owners would provide evidence to support this antecedent. For many years, as previously mentioned, owners felt it was necessary to keep player salaries suppressed in order to maximize profits. A one-time event due to one owner's change in philosophy might provide fertile ground for the whole system to change.

Bruce McNall, who owned the Los Angeles Kings in 1988, had to do something to increase fan attendance, which was sitting at about 10,000 per game so he bought Wayne Gretzky from the Edmonton Oilers for \$18 million and then paid him an unprecedented \$20 million over eight years as salary. During Gretzky's second season as an LA King, gate receipts more than tripled. McNall had increased his own revenue by bringing possibly the best hockey player in history to his city. He basically spent money to make money (Cruise & Griffiths, 1991).

This contract was the first publicly disclosed deal and shortly after full disclosure was given to all NHL players who finally had a guide to use in deciding what they

thought a fair income was and salaries skyrocketed⁸ (Dowbiggin, 1993, p. 13). This event in itself deinstitutionalized one of the major mechanisms used by NHL owners to keep salaries depressed. No longer were salaries kept a secret.

Uncontrollable issues that affect the financial stability of one or more of the league's franchises might prompt the owners to come up with a collective solution. In the case of the NHL, a significant number of teams are Canadian. Since Canadian teams collect revenue in Canadian dollars but now pay their players in American currency, irrefutable evidence exists illustrating they are at a disadvantage no matter how well they market their team because over time the Canadian dollar has lost a lot of ground on the American dollar. That being the case, NHL owners came up with the Group II Equalization Plan and the Supplemental Currency Assistance Plan discussed in the first chapter which, through contributions by each team, are designed to help small market Canadian franchises combat their weak dollar (Public Policy Forum, 1999). It takes absolute irrefutable evidence but the owners are able to cooperate somewhat on a local level.

Social Pressures

Increasing Social Fragmentation

Within an organization, new members might bring with them fresh backgrounds or experiences differing significantly from the prevailing culture. The advent of these new attitudes might lead to major changes causing previously institutionalized traditions and practices to erode. Three ways in which new attitudes might enter the culture of an organization are through high turnover, leader succession or an increase in employee diversity. Any of these situations present in the NHL that leads to more cooperation

within the league or increased gains for players could be considered an antecedent for deinstitutionalization in that direction.

Turnover in any professional sports league is very high, however, different from traditional industry in that almost every player does not want to leave the organization until age or injury forces them to retire. Competing for jobs is the norm and the players generally come in with the same attitude, to do what it physically takes to keep a job in the league. Although involved as union reps, the business structure of the league almost always plays second fiddle to the game itself and next to no deinstitutionalization has occurred based on turnover. The same can be said for the increase in workforce diversity that came with the influx of Europeans now playing in the NHL. They came to North America to play with the best players in the world and seldom concern themselves with the business of the league. The players leave their personal business up to sports agents to negotiate individual salaries. In terms of league business, they put their faith in the appointed union leader.

This disconnect between the game and the business means that leadership change is far more important as a factor in the NHL's transformation than any type of steady erosion of practices due to the changing expectations of players. Bob Goodenow is the current Executive Director of the NHLPA, a post he has held since 1990. His strong communication skills (Stein, 1997) were illustrated in his ability to educate the players in seminars about perceived inequities in the NHL CBA and the need for change (Staudohar, 1996, p. 149). He turned once mild-mannered unionists into a militant power (Fischler, 1995, p. 113) and sought to rectify years of one-sided concessions and blatant inequities that previous bargaining had built into their relationship with the owners

(Cruise & Griffiths, 1991). Appendix L outlines the gains he made for players after he led them out on their first ever strike in 1992.

It seems as though Bob Goodenow has taken a page from Marvin Miller's leadership style. The former negotiator with the Steel Workers' union used his leadership and communication skills to create a solid and committed MLBPA thereby changing the social behaviour of the players as a collective unit from one that adhered to the owners' demands and exploitive actions to one that fought for and achieved increased benefits, compensation and freedom. He transformed the administrative and business structure of baseball right before the league's eyes not by trying to turn the players into millionaires but by fighting for what he thought were fair concessions (Korr, 1991; Miller, 1991).

The current leader of the NHL, Gary Bettman, has influenced the league into engaging more of a cooperative structure. He has worked to form and maintain a stable league office while using an international focus to help obtain good television and marketing deals⁹ (Fischler, 1995; Kagan, 2001b; Naylor, 2003, January 21; Staudohar, 1996) (Appendix Q). This focus on league business drives up shared revenue causing the league to appear as more of a cooperative entity (Fischler, 1995). He also emanates a cooperative attitude with the Board of Governors by insisting on broad involvement in decision making and refusing to allow rule by governance committee (Fischler, 1995, p. 181). Bettman's cooperative attitude extends to the bargaining table, which is evident in his requests to Goodenow to commence negotiations for the next CBA (Brender, 2003, January 3).

As a previous leader in the NBA, Bettman learned a thing or two about leadership from David Stern, who is the current commissioner of the National Basketball

Association (Fischler, 1995). Stern also maintains a cooperative attitude pulling the league's franchises together into a single entity that operates as one well-oiled machine with a worldwide symbol (Appendix S) (Rifkin, 1997).

As an example of how important leadership is to a sports league, Pete Rozelle was arguably a pioneer in developing cooperation among owners of a professional sports league. He helped to transform the NFL into a single entity by convincing large market owners in the early 1960s that it would be beneficial to share in ticket sales and broadcasting because since big markets could not buy up all the talent, it would create more of a competitive atmosphere resulting in higher fan interest and ultimately increased league revenues to be split among all the teams¹⁰. His social behaviour and keen business sense were enough to change a consensus of singular owner interests into one of cooperation for the good of the league (Harris, 1986).

Decreasing Historical Continuity

A merger with another league that introduced a more collaborative culture into the NHL might act to erode the historical suspicions of individual owners and promote cooperation. Similarly, different labour practices in the merger partner might signal a need to reexamine existing approaches.

As mentioned earlier, the WHA merged with the NHL in 1979. The competing league did maintain one major social characteristic opposite to that institutionalized in the NHL. The new league didn't operate with a reserve clause allowing players much more freedom in their movement around the league and resulting in higher salaries (Hunter & Weber, 2000; Kagan, 2001b). With the competition for players, this was one major

reason why the NHL had to revise their business structure and eliminate the clause (Cruise & Griffiths, 1991).

The WHA also realized that television was an important external dependency and placed teams in highly populated media oriented locations such as Houston, Phoenix, San Diego and Cleveland. The more media-savvy WHA also caused its pucks to be painted red and blue to address the concerns of viewers who complained that they could not follow them (Kagan, 2001b). Ultimately the idea was to develop a national following and reap the shared benefits of a big network television contract, but traditional hockey followers did not like the red and blue pucks (Kagan, 2001b). The WHA also sold the name of their championship trophy to Avco, a household finance company, and invested the proceeds into shared revenue for the league (Hunter & Weber, 2000) but that is basically where the cooperation ended.

When the WHA finally merged with the NHL in 1979, only six teams remained and only four, the Edmonton Oilers, Winnipeg Jets, Quebec Nordiques and Hartford Whalers, actually joined the National Hockey League (Kagan, 2001b). The WHA did help to deinstitutionalize the NHL, albeit very little. Although it had more to do with the competition and legal battle for players, the NHL dropped the use of their reserve clause. However the WHA had become poorly managed and was desperate to join the big league (Hunter & Weber, 2000; Kagan, 2001b). The NHL used this situation along with their authoritative power over the players to limit the changes they had to make to their business structure. And although it had more to do with the work of one new owner from the old WHA, Marcel Aubut of the Quebec Nordiques, as a result of his desire to sell his team's television rights non-exclusively to Carling O'Keefe rather than the traditional

Molson who the Canadian teams had been working with for years, the NHL finally began to share national television rights equally across the league¹¹ (Stein, 1997).

Changing Institutional Rules and Values

Pressures by a relevant governing body that caused the NHL to conform to certain standards would be good examples of deinstitutionalization if they either eroded exploitive player reforms or promoted cooperation as a result of the dissipation of self-serving interests by owners.

There are incidents in the National Hockey League whereby the courts have made decisions and recommendations that led to the abolishment of suppressive labour practices previously maintained by the league, however, little evidence suggests that outside governing bodies ever directly impacted the institution of self-serving owner interests.

In 1969, a Task Force on Sports in Canada did not like the aspect of the reserve clause that indicated a club could request that a player enter into a contract for the playing season under the same terms and conditions of the previous season's contract with only salary being open to mutual agreement (Dworkin, 1981, p. 264). Since the player had nowhere to go if he did not agree to the owner's salary recommendation, there was little room for negotiation. That was until 1969, when, as a result of the Task Force's recommendation to change this clause to give the players more leeway in the negotiation of salary, the NHLPA convinced the league to agree to salary arbitration whereby an impartial arbitrator would settle salary disputes brought forth by players in certain instances. While it has been modified several times, this practice has been in effect ever since 1969 and allows the arbitrator to use impartiality in settling on a fair salary figure

lying somewhere in between the owner's and player's request (Berry et al., 1986, p. 209-210). Since arbitrators can use other salaries for comparison, this practice has significantly inflated players' income.

In addition, mostly because of legal battles with the WHA, the courts sanctioned the NHL's limited free agency practices in 1973 and, as a result, the reserve clause was subsequently dropped by the league and replaced with an option clause (Appendix Y) (Berry et al., 1986; Cruise & Griffiths, 1991). Similar erosions were also taking place in other leagues. Fueled by the leadership qualities of Marvin Miller, free agency in Major League Baseball was also adopted based on a groundbreaking court decision that found the wording in the reserve clause required a player to remain on his team for only one extra year after his contract expired (Appendix M) (Berry et al., 1986; Miller, 1991). Finally, NFL players obtained liberalized free agency through the influence of a National Football League Players Association (NFLPA) antitrust suit court decision that stated the NFL's free agency system was in violation of the antitrust laws. In this case, the hard salary cap was also negotiated based on this decision (Appendix V) (Dworkin & Posthuma, 2002).

Increasing Structural Disaggregation

An organization that develops a physically dispersed and locally differentiated structure sometimes sees traditional practices erode away in order to accommodate its new formation (Oliver, 1992). The best application of this concept to the institution of the NHL would be an argument that, as a result of expansion, the ability of the original owners to collude has been steadily eroded dissipating restrictive practices and creating a better livelihood for players and resulting in a more cooperative environment.

The NHL has undergone several waves of expansion thereby creating more jobs for professional hockey players but no evidence really exists to suggest that expansion resulted in a collectively better livelihood for the mass, just more professional hockey careers in an elite league.

In terms of a cooperative environment, expansion has always been a concept that the majority of the Board of Governors has agreed upon at any given time because of the incredible source of one-time revenue it creates for the whole league. In addition, putting hockey teams in television friendly cities creates an opportunity for increased interest in the game thereby generating a chance for a big national television contract that the whole league can share in (Cruise & Griffiths, 1991; Stein, 1997).

This was the case in the first wave of expansion during 1967 whereby \$2 million was the entrance fee and television friendly cities such as LA and Philadelphia were selected. And in the 1990s, the price had increased to between \$50 and \$80 million dollars. A total of nine teams were inducted from good television markets such as Atlanta, Florida and Anaheim (Shoalts, 2003, January 22; Stein, 1997). Appendix Q describes some of the television deals struck in the midst of the 1990s expansion wave.

In addition, the NHL ownership group has grown to represent thirty teams compared to six in the pre-expansion days. Individual interests have been diluted severely as an owner's vote holds one-sixth the value it used to. Cooperation becomes an automatic necessity and increased deinstitutionalization in that direction is necessary to support teams in non-traditional hockey cities like Nashville and Tampa Bay.

Inertial Effects

The NHL has taken many steps toward deinstitutionalizing into a cooperative entity and there is no question that player compensation has increased dramatically to become fairly even with other big-league salaries. This section will explain why the NHL has not deinstitutionalized further to become an organization similar to the other North American big leagues with their very liberal free agency rules and additional cooperation between owners.

To recap, inertia suggests that institutionalized activities will exhibit inevitable resistance to change (Oliver, 1992). Organizational individuals might possess preferences for consistency in their actions over time and perceive that continuous commitment to the same activities will reduce uncertainty (Pfeffer & Salancik, 1978; Staw, 1981).

NHL players made their first attempt to form a union in 1957 but failed. The owners did everything in their power to prevent the formation of the new association and, in exchange for very few concessions, the players finally buckled under the owners' pressure (Appendix Z) (Cruise & Griffiths, 1991). The league thought that if a union was formed, salaries would skyrocket and teams would go bankrupt. By adhering to the status quo and continuing to exploit players, the owners felt safe that uncertainty would remain at a minimum and the league would stay profitable.

Ten years later, the players were successful in forming a union and they appointed a man by the name of Alan Eagleson as their Executive Director. However, Eagleson only worked in a part-time capacity and did not maintain the leadership qualities of a Marvin Miller or Bob Goodenow. He talked down to the players in a mixed form of legalese and insults and did not empower them to become united and fight for their rights

(Cruise & Griffiths, 1991). Eagleson preferred to please the owners rather than his own constituents (Appendix AA) while negotiations remained quite placid (Appendix AB) (Berry et. al, 1986; Stein, 1997). He never questioned owners' claims that the league was in trouble and did little to advance the players in the area of free agency. Instead, he would negotiate increases in the pension fund along with privileges to play international hockey (from which he himself profited significantly) (Appendix K) (Berry et al., 1986; Cruise & Griffiths, 1991; Houston & Shoalts, 1993; Staudohar, 1996). Eagleson's leadership was very inertial because he would always convince the players that the owners were in dire straits and for the good of the game, the players should not push for free agency otherwise team finances might begin to dry up (Cruise & Griffiths, 1991). He too seemed uncertain of what change would bring to the financial stability of the league and his powerful leadership prevented the players from standing up for their rights.

Clarence Campbell was the president of the NHL for over 30 years and his job was to do little more than to keep the players in line. He did not lead the owners into the new generation of professional sports or develop a cooperative attitude. From his two-person office, Campbell did not attempt to adapt the game of hockey to television nor did he promote expansion. Campbell would mostly insist that expansion or adaptability to television's schedules would cause too many travel problems even though things were working fine in other leagues. Expansion finally took place but it was mostly due to the threat of a rival league (Cruise & Griffiths, 1991). Campbell was more of a reactionary and rarely behaved proactively. He respected the status quo and did as little as possible to change things thereby reducing uncertainty for the league.

Other than developing a professional office by hiring several vice-presidents, John Ziegler Jr. did little more than Campbell to create a “good for the league” attitude among owners. He also did little to advance the league in the area of marketing and television therefore very little cooperative revenue was generated under his regime (Appendix AC) (Cruise & Griffiths, 1991; Fischler, 1995; Staudohar, 1996; Stein, 1997). Ziegler thought small and honestly thought it was better to promote NHL hockey in local television markets (Appendix P) (Gorman & Calhoun, 1994; Houston, 2003, January 20; Staudohar, 1996) while every other league was looking nationally.

Sometimes, the need to deinstitutionalize is recognized but immobilized by the perception that it will be costly or by a lack of expertise or understanding of how to achieve it (Hinings & Greenwood, 1988).

By 1994, the average salary in the NHL was \$560,000 per year (Kagan, 2001b) and the owners felt it was time to artificially restrain escalating salaries (Fischler, 1995; Staudohar, 1996). This created a huge barrier in the union’s attempt to negotiate anything in the area of increased free agency privileges. In fact, the owners delayed deinstitutionalization by recommending a luxury tax on top of limited free agency (Staudohar, 1996).

The large market owners have always felt that sharing their local revenue among the rest of the league is a costly solution (Shoalts, 2003, January 18). They also feel it is a complicated system and are uncertain as to what the results will bring (MacDonald, 2003, January 27). Instead, they look to the players for a solution that will curb their own spending. The union did not waiver in its refusal to accept the league’s proposed luxury tax, however, after a four-month lockout, they did take a few steps back in the area of

free agency and other previous concessions (Appendix AD) (Fischler, 1995; Friedman, 2003, February 1; Staudohar, 1996).

In his article, *The Impact of Corporate Ownership on Labor-Management Relations in Hockey*, Rob Beamish (1991) suggests that owners in professional sports have the capital, resources and ability to withstand a strike or lockout longer than the players mostly due to the fact that they have other business interests to fall back on. The players, however, as well paid as they are, cannot afford to stay out of work for too long, as careers are short and lost earnings pile up fast. This more than likely had an effect on their ability to negotiate more concessions and ultimately control in 1995.

With the current CBA set to expire in September of 2004, the owners are again pushing for a cost certainty solution whereby the players would agree to a mechanism to control salaries. Gary Bettman and the majority of Governors feel this is a legitimate and necessary answer to restricting the habits of 30 competitive owners all spending in pursuit of the Stanley Cup. For years, the league attempted to reduce uncertainty by adhering to the status quo and refusing serious gains for free agency. However, salaries still went up and now the owners are looking to the players to stray away from the status quo and adopt another form of cost restraint besides limited free agency (Appendix AE) (Friedman, 2003, February 1; Shoalts, 2003, January 18).

The union argues that the owners control all the revenue that comes into the league along with the expenses that go out. They simply want the league to reevaluate the distribution method of their revenues and agree to some sort of sharing scheme but the large market owners refuse claiming it will cost too much, reduce the value of their teams, possibly allow too many free riders and the results it will bring remain uncertain

(Appendix AE) (Brender, 2003, January 3; Friedman, 2003, February 1; MacDonald, 2003, January 27 Shoalts, 2003, January 18; Talalay & Russo, 2003, February 3).

The next chapter will provide recommendations to the union and league that would bring about financial and competitive stability. The deinstitutionalization pressures described throughout this chapter that were absent or insufficiently strong are reevaluated and suggestions for the implementation of practices to bring about the necessary change resulting in further control for players and additional cooperation between owners will be discussed.

Chapter 4 – Discussion and Recommendations

The first chapter of this paper discussed why it is important for the NHL to improve its business structure from a Canadian perspective. That was followed by a review of the literature. The third chapter analyzed how the NHL's current business structure and performance problems evolved using the concept of deinstitutionalization including some specific events and leaders over time that enabled the other three major leagues to deinstitutionalize into cooperative entities with increased gains for the players. In order to curb the financial disparities and competitive differences in the NHL, this last chapter will consider selected antecedents either insufficient or absent with respect to deinstitutionalization in addition to inertial forces discussed in chapter three. It will then make recommendations for the NHL based on these findings, past studies outlined in the literature review, the history of the NHL's economic system and mechanisms employed by the other North American major sports leagues. Where feasible, insights into possible implementation will be provided based on the deinstitutionalization thrust of this inquiry.

Selected Antecedents of Deinstitutionalization

Conflicting Internal Interests

Examples in chapter three surrounding this antecedent illustrated that NHL players have expressed dissent over the years in terms of the restrictive practices employed by the league and have used collective bargaining as a medium to divest themselves of these mechanisms. However, in almost every set of collective bargaining negotiations since 1975, the players have been limited to minor gains, especially in the area of free agency (Cruise & Griffiths, 1991; Staudohar, 1996). Even though the NHLPA enjoys other mechanisms in the CBA used to increase salaries (National Hockey

League Collective Bargaining Agreement, n.d.), no other league has managed to keep free agency as restrictive as the NHL. Further, the main reason salary arbitration was instituted can be attributed to the 1969 Task Force on Sports in Canada that was critical of the reserve clause in the NHL's standard players' contract (Cruise & Griffiths, 1991). Even so, during the last set of negotiations, the owners were successful in limiting both these mechanisms somewhat (Staudohar, 1996).

The literature review stated that the dawn of free agency in professional sports leagues has not really impacted competitive balance in a negative way, and most studies along with general observations indicate it has actually increased competitiveness (Miller, 1991; Quirk, & Fort, 1992; Zimbalist, 1992). Marvin Miller, the initial leader of the MLBPA, was the first Executive Director of a North American major sports league to negotiate free agency. He realized that total free agency would result in an influx of available players thereby negating the objective of raising player salaries. Luckily, the majority of owners never picked up on this basic supply and demand theory and Miller used his gut feeling to negotiate a six-year tenure for players before they could become unrestricted free agents (Miller, 1991). Twenty years later, John Vrooman (1996) did a scientific study and found that, in 1994, four years was the optimal tenure for a player to remain tied to a team before becoming a free agent. This amount of time, combined with the elimination of salary arbitration in years four, five and six of a player's career, would allow the team to recoup training and conditioning expenses from the player while maintaining an optimal competitive and financial balance throughout MLB.

With continuing salary inflation over the last nine years, Vrooman's same study might elicit different results, but, in accordance with the evidence, one way for the NHL

to improve financial and competitive imbalance while deinstitutionalizing further to reveal a league with more freedom and control for its players would be to drastically reduce salary arbitration and restrictions for free agency. Salary arbitration is an inflationary process as it elevates salaries to correspond to the highest incomes earned by star players. Eliminating or severely containing it while decreasing free agency restrictions would increase the supply of available players thereby reducing salaries because teams would have more players to bid for. This would reveal the truer market value of a player with the increased ability for small market teams to maintain or purchase talent.

As evidenced in the last chapter, even though conflict exists over the issue of sharing local revenue, the small market owners have yet to develop enough power or visibility to convince the large market owners that the idea will result in a stronger league. Most large market owners cannot see the financial and competitive results this mechanism would bring and maintain the institutionalized belief that giving up a part of local revenue will negatively affect their bottom line equal to the portion they have to share. It is imperative for the small markets to rise up and illustrate to the large markets that the league itself is only as strong as the small market franchises (Naylor, 2003, January 21).

Revenue sharing must be seen as an investment in the viability of the whole, not as a handout to poor performers. An easy parallel here is the Canadian system of provincial transfer payments wherein monies flow from provinces with large budgetary surpluses like Alberta to poorer provinces like Newfoundland in the interests of maintaining a stronger Canada. However, the often vocal categorizations of the ‘have-

nots' as free riders by the 'haves' and the absence of a similar state to state transfer mechanism in the US point to fundamental barriers surrounding such 'socialist' ideals. This is evident in comments iterated by general managers such as Boston's Harry Sinden who referred to the sharing of local revenues by saying, "I thought communism died. You won't see it revived in the NHL." (Fischler, 1995, p. 167) Or that of former New Jersey Devils majority owner John McMullen who alluded to Edmonton, Quebec, Hartford and Winnipeg and said, "To hell with the small markets." (Fischler, 1995, p. 182) Evidently, with the exception of Edmonton, those cities now find themselves without NHL hockey.

Pete Rozelle probably had less data than is currently available to professional sport team owners and yet he convinced the NFL that "League Think" would maintain competitive balance and make the game more attractive to its dependencies, which in turn, would add value to the league and increase revenues among all the teams (Harris, 1986). In addition, almost all the academics (Fort & Quirk, 1995; Jennett, 1984; Marburger, 1997; Mason, 1997) discussed in chapter two agreed that revenue sharing would lead to increases in competitive balance and/or financial stability. The mechanics to implement a new system that might lead to a financially stable and competitive league by deinstitutionalizing the owners into a more cooperative conglomerate are discussed in the section on Increasing Technical Specificity.

Changing External Dependencies

Gary Bettman has done an excellent job in his cooperative negotiations with television networks and, as a result, the amount of money each team receives from national broadcasts has increased dramatically. However, the NHL still derives the majority of its revenue from ticket sales and other local sources and the financial disparities between large and small markets continue to grow. In order to further deinstitutionalize into a cooperative entity, the NHL needs to generate an even larger source of revenue from national television and marketing. They might do this by marketing hockey for the great game that it is while tweaking some aspects to make it even more appealing to the casual viewer.

The National Hockey League is one of the most important institutions to Canadians, however, ranks a distant fourth in the US among North American major league sports (Houston, 2003, January 20). With a population ten times that of Canada, the US is where a lot of the external television market lies. Over the years, the media has consistently maintained that one major reason for American non-interest in the game is the fact that hockey is the only sport where players do not get ejected for fighting (Klein & Reif, 1998). If the league really wants to attract the American casual viewer, it has to consider abolishing this institutionalized and traditional practice. Most Canadians and almost all of the players would disagree, however, Americans have continually told the media that fighting is one major reason why they will not watch hockey. In terms of national television revenue, football is currently number one in the US (Houston, 2003, January 20) and with a guaranteed tackle almost every play, it seems as though

Americans are not against the rough stuff. Therefore, body checking without the fisticuffs in hockey might very well attract the casual American viewer (Klein & Reif, 1998).

For years now the NHL has been trying to crack down on the hooking and holding taking place in the neutral zone during hockey games (Klein & Reif, 1998). This tactic is arguably reserved for the less competent and, in many instances, lower payroll teams, in an attempt to slow down highly skilled and offensive players giving themselves a chance to win. To combat this problem, the NHL has started calling “obstruction penalties” which are holding, tripping or interference infractions that happen away from the puck and mostly in the neutral zone. However, many players tend to go down quite easily when they feel a stick against their body. As a result, referees are also allowed to use their discretion to either negate the penalty or call a diving infraction. However, some players fall quite convincingly making it difficult for an official to tell the difference between a legitimate hook and a dive. So where is the happy medium? How does the league strike a balance between knowing when to call legitimate penalties, when to call diving or when to let it go?

This is an issue that many stakeholders in the NHL have wrestled with for years. A simple answer dates back to the 1950s and 1960s when skilled players seemed to skate around inferior opponents with the greatest of ease because they would not get hooked down or slashed across the legs (Klein & Reif, 1998). If the defensive player did not take the offensive skater with his body, and was beaten, he still might be able to do something like turn around, chase the man down and dive beside him while swiping at the puck with his stick. If he was unsuccessful, the offensive player generally had a chance to score or make a good pass. Now, stick-work on the body has come to be known as good defense,

however, is still against the rules (Klein & Reif, 1998). In order to allow every skater the opportunity to play on a level playing field without the necessity for the referees to crawl inside their heads and decide if they fell on purpose or were forced down, every time a player touches an opposing player with his stick thereby impeding movement in any way, he should be penalized. Eventually the players would know that all stick-work is considered a penalty, resulting in its drastic reduction. This would speed up the game through the neutral zone allowing more appealing plays at breakneck speeds. The game would become more attractive to casual viewers thereby increasing its value to television advertisers. As a result, national broadcast revenue and shared income would rise.

With all the franchises in the league now, many teams only play each other once per year. This does little to generate fierce rivalries and fan interest. The NHL might consider separating the Eastern and Western Conferences into two leagues, which would result in more games between the same teams whereby a friendly hatred would emerge more frequently among clubs making for really exciting and passionate hockey. Inter-league games, much like what MLB has adopted, could make up for the loss of certain cross conference matches previously enjoyed by fans and teams alike. For example, Montreal and Toronto, being in the east, could still play teams like Edmonton and Calgary in the west by way of inter-league games and the fan and player interest generated by these games would remain.

The NHL is the only major sports league in North America in which the regular season games have a possibility of ending in a tie. This also does little to generate the casual fan's interest. The NHL has attempted to combat this issue by reducing the amount of skaters to four during a five-minute overtime period. This creates more room on the ice

to skate and the idea is to generate more scoring chances. Teams are also awarded one point in the standings after a regulation tie. The basis for this idea was to give teams the motivation to go for the win knowing they already have a guaranteed point. However, even with this alteration, the proportion of games ending in a tie has not changed dramatically. The number remains at about 12% (Klein & Reif, 2000), however, from personal observation, chances have increased noticeably. The NHL might consider keeping the existing rules although increasing the overtime session to ten minutes or perhaps a full extra period. Some hockey people have suggested shootouts after five minutes of overtime (Houston, 2003, January 20). This would really excite fans as a winner is guaranteed but many traditionalists are not yet sold on the idea.

Many other ideas have been tossed around suggesting ways to improve the game such as decreasing the size of goalie equipment, widening the nets or decreasing the size of the posts to enhance scoring. With the exception of maybe decreasing the size of goalie equipment to the point that the netminder is fully protected without actually using his extra equipment as an advantage, most of these ideas begin to take away from the roots of the game and are probably not necessary. The most important thing to do is bring out the speed and the skills in the elite hockey players. Out of the four major North American sports, hockey is by far the fastest and the NHL has to find a way to expose this trait once again. Then they have to advertise this asset to the world and use their European connection in terms of players as an advantage over the NFL, NBA and MLB. Even if the league does not ban fighting, they still have to market the game and the marquee players extensively and show the US and the rest of the world how fast and exciting this game really is. Only then will attraction to the game increase enough to

possibly generate national television contracts in the same vicinity enjoyed by MLB or the NBA. This would result in much more cooperation at the league level as each team would depend more on this league generated revenue.

Increasing Technical Specificity

Given the very clear point presented in the paper up to here illustrating that the other major sports leagues in North America have found and agreed to processes that attempt to achieve the organizational goals of competitive balance and financial stability, there seems to be little reason the NHL cannot use some of these specific practices. In fact, the failure of the NHL to do so suggests that implementation issues should figure prominently in any discussion of how the situation might improve. As it was noted above that the NHL could learn much from how other leagues have addressed similar problems, the specific mechanisms are described in more detail below with a focus on their compatibility with the NHL. Following this discussion of the content of proposed changes and a review of the remaining forces, a process for their implementation by the league is considered as a mandate for Gary Bettman.

In terms of models for possible change, the NHL might want to pay particular attention to the structures and systems in place in the NFL and MLB, which include considerably more local revenue sharing than the NBA. MLB's new system has not been in place long enough so the results cannot yet be measured, however, the NFL has been using the same revenue sharing system for over 40 years now and the liberalized free agency in exchange for salary cap rules were added 10 years ago (Dworkin & Posthuma, 2002). The results illustrate that the NFL is the most financially and competitively balanced league.

In following the hypothesis of this paper and comparing the NHL to the three other major leagues, NHL owners have to increase their cooperation substantially more than they have in previous years before they should expect the players to agree to any more cost restraints. Sports economist Andrew Zimbalist agrees and notes the league currently shares less than 10% compared to 63% in the NFL, 35% in the NBA and now 34% in MLB (Waldie, 2003, January 22). But even though the NFL and NBA share significantly more revenue, two of the major sources they draw from, national television broadcasts and league marketing, are the same sources the NHL shares. The difference is that the NFL and NBA enjoy significantly more income from these sources (Kagan, 2001a; Kagan, 2002; Kagan, 2001b). In saying this though, the NFL still shares in local ticket revenue along with all television broadcasts and MLB has recently adopted a local revenue sharing plan (Kagan, 2002; Major League Baseball Collective Bargaining Agreement, n.d.), hereinafter known as “(MLB CBA, n.d.)”. It is well within the boundaries of the NHL to do the same.

This section will first analyze a more technically specific league using only the owners’ suggested solution of cost certainty. Three slightly different approaches to this concept have been taken in the NBA, NFL and MLB.

First, the NBA employs what is called a soft salary cap. This basically means that the maximum a team can set their payroll at amounts to a designated percentage of league gross revenues. The calculation of revenues involves a complicated set of calculations beyond the scope of this paper, however, when all is said and done, each team is supposed to adhere to the calculated cap (NBA Collective Bargaining Agreement, n.d.), hereinafter known as “(NBA CBA, n.d.)”. With this soft system comes a plethora of

loopholes such as allowing any player to join the payroll at the minimum salary and the ability for teams to keep certain players even though their salaries will exceed the cap (Dworkin & Posthuma, 2002, NBA CBA, n.d.). As a result, payrolls are still widely diverse as illustrated in Table 8. During the 2000-01 season, the lowest payroll was \$25.2 million and the highest was \$87.2 million. Obviously, quite a disparity still exists, however, most of the payrolls were in the \$40 and \$50 million range. In addition, starting in 2001-02, teams exceeding the cap after accounting for the loopholes have had to pay a luxury tax to the NBA which is usually used to help out the less fortunate teams (NBA CBA, n.d.).

Should the NHL adopt a system similar to this without revenue sharing, it is quite possible that the larger market teams would use the loopholes to their advantage resulting in a continued competitive imbalance and financial disparity (Fort & Quirk, 1995). Tables 2 and 3 illustrate that competitive balance in the NBA has not improved since the adoption of the pay scales in 1998-99. Financial balance was still unstable across the league in 2000-01 as evidenced in Appendix H and even though there was a fair amount of shared revenue, it was consistent across the league and the loopholes in the salary cap provided the large market teams with an added advantage in acquiring talent. There is no telling how the luxury tax will affect things but it did not lower salaries after its first year of employment. If the league deinstitutionalized into a more cooperate conglomerate and local revenue sharing was adopted, league-wide performance would probably increase significantly.

Second, the NFL employs a hard salary cap, which basically means there are fewer loopholes and stricter rules surrounding each team's adherence to it (NFL

Collective Bargaining Agreement, n.d.), hereinafter known as “(NFL CBA, n.d.)”. The disparity between the lowest payroll of \$55.3 million and the highest payroll of \$92.4 million in 2000-01 as evidenced in Table 5 illustrates slightly less of a difference than that of the NBA and most of the payrolls were in the \$60 to \$70 million range. The large amount of shared revenue allows the NFL to institute a hard cap while remaining fair to the players and most of the teams resulting in a financial and competitive balance.

With the tendency for payrolls in both the NBA and NFL to concentrate in one area with only a few obvious outliers, it is apparent that even with the loopholes these are effective methods to control salaries. With no salary cap, payrolls in the NHL were grouped throughout the \$20, \$30, \$40 and \$50 million dollar range in 2000-01. Therefore, the NHL could very well limit the spending habits of some teams by employing this mechanism but without revenue sharing the cap would have to be set at a number low enough so that the smallest market could afford to ice a competitive team while remaining financially viable. According to Tables 10, 11 and 12, in 2000-01, Calgary and Buffalo still lost money with payrolls of \$30.2 and \$39.6 million respectively even though attendance was in the high 90s in terms of percent of capacity. It appears they did their best to maximize revenue but still fell short. Therefore, any type of cap would have had to been set as low as \$30 million for these two teams, among others, to have had a fair chance of competing for the same type of players the large markets were able to attract. However, two problems arise with a system like this when it does not include revenue sharing.

First, as mentioned earlier, the loopholes are more advantageous to the large market clubs and second; it transfers even more revenue into the pockets of the big

markets. Since ticket sales among other revenue sources are based on market demand and not player salaries (Quirk & Fort, 1999), the large market clubs will continue to enjoy the same revenues, however, the reduction in expenses results in higher profits. Because the salary cap really has not resulted in a drop in player expenses for the small market clubs, they will continue to lose money or make very little. This mechanism by itself really isn't fair to the players or the small markets since the large markets would not enjoy the revenues they do without the existence of these two parties.

Finally, baseball adopted a luxury tax in 1995 that levies higher payroll teams to subsidize lower payroll teams. This mechanism was new to North American major league sports and did not seem to work too well by itself (Dworkin & Posthuma, 2002), so baseball decided to include a local revenue sharing plan in the following collective bargaining agreement to go along with the tax (MLB CBA, n.d.). The luxury tax also has the tendency to suppress salaries as all teams want to keep their payroll low in order to avoid paying the tax (Sheehan, 1996) and, again, really is not fair to the players, however, it does potentially help out small markets more than the other two mechanisms in that they actually receive additional revenue thereby increasing their ability to compete for talented and experienced players. This mechanism is a possibility for the NHL, however, as with baseball, a revenue sharing scheme must accompany it.

In light of this information, in order to achieve financial and competitive balance, the NHL has to deinstitutionalize further to reveal more cooperation among owners. Local revenue sharing has to be adopted. First, the evidence presented throughout this paper has pointed to the fact that the players have received very little of their increased gains through collective bargaining and therefore the owners must first devise a system

on their own to combat the financial and competitive balance problem in the NHL before looking to the players for more solutions. Second, revenue sharing can control competitive balance and financial stability without a cost restraint (Marburger, 1997) but for reasons stated above, the opposite is not true. As evidenced by Appendix T, owners will generally strive to make a profit (Quirk & Fort, 1999). Therefore, if each owner has less to spend, he will probably reduce his payroll. Also, not considering enforcement issues, if a smaller market owner has more to spend, he will increase his payroll to add more talent and improve the team. Therefore, if it was a perfect world and a league shared all revenues, based on the theory of MRP (marginal revenue product) and professional team sports (Quirk & Fort, 1999) and not taking into account the differences in other team expenses, each franchise would have about the same chance to compete for the same players negating any kind of correlation between team salaries and win/loss percentage. Add in Vrooman's (1996) findings on free agency and a league would be financially and competitively stable with total revenue sharing and very liberal free agency. Finally, since the product produced by a sports league is athletic competition and necessitates two teams competing against each other (Roberts, 1991), each team should theoretically receive at least the direct revenue derived from each match.

This paper proposes several revenue sharing solutions and the results are outlined in Table 13 using the NHL's 2000-01 financial figures. All are within the capacity of the NHL to achieve. The first solution is based on the gate-sharing scheme used in the NFL as well as the findings of Fort and Quirk (1995). The authors suggest that gate-sharing alone will not achieve competitive balance nor will it enhance league-wide profits and, in fact, local television revenue sharing is also necessary. The evidence presented in this

paper on the NFL corroborates this. Since each person watching each game is enjoying the athletic competition derived from the product, the direct revenues created should go to each team. Table 13 outlines the NHL's results using a 60-40 gate (after 15% is deducted from home gate receipts for administration purposes) along with 50% local television sharing scheme. Toronto is the biggest subsidizer as their revenues drop \$11.6 million, however, with the exception of a few franchises, most would share very little and two-thirds of the league actually receive money including Bill Wirtz of Chicago, one of the biggest critics of revenue sharing (Stein, 1997).

The next two solutions are adapted from baseball's latest CBA whereby 34% of local revenue is contributed to a central fund and the results show that slightly more is shared than in the first solution. Erring on the side of caution, the examples presented in Table 13 were calculated by reducing the entire revenue figure for each NHL team by 34%, adding the results together then dividing the pool equally among all the teams. The small market franchises usually end up with a net gain in revenue and the large market teams a net loss. The results favour small market teams additionally when that number is increased to 40%.

Finally, considering the union did propose an amendment to the owners' original proposal of a luxury tax during the lockout of 1994-95, the above three mechanisms were re-evaluated with the addition of the union's luxury tax scheme. The union proposed that the top four spending teams pay a tax of 7%, the next four pay 5%, the next four pay 3% and the next four pay 1% on their total payrolls with the balance of this money going to help small market teams (Staudohar, 1996). Since one proposal in this paper is to relax the free agency rules drastically, it is probably safe to assume that even with a revenue

scheme by the owners that will depress salaries somewhat, the union would still agree to this very conservative luxury tax proposal. It is a form of cost certainty that seems to work best with the NHL's situation and most of the owners should also agree to it. The examples including the luxury tax proposal presented in Table 13 were derived by taking the top 16 payrolls from Table 11, reducing each team's corresponding shared revenue figure by the proper percentage and adding the results together. The income was then distributed evenly among the fourteen teams with the lowest payrolls.

The final proposal in Table 13, which includes a 40% revenue sharing plan in combination with a luxury tax, is similar to Major League Baseball's (MLB CBA, n.d.) and redistributes the most income from larger to smaller markets thereby leveling out the playing field and reducing disparities substantially. Only eleven teams would have actually shared their revenue in 2000-01, with eight of those franchises sharing well in excess of \$2 million. These eight teams losing so much money is about the biggest reason why local revenue sharing is hard to adopt. In addition, this last example would have actually seen five out of the eleven sharing teams come away with a negative cash flow in 2000-01. This really isn't fair to the large market owners. However, with this system in place, salaries would surely subside (Quirk & Fort, 1999) to reflect an average more in line with total league revenue and based on the economic theory of professional team sport salaries (Quirk & Fort, 1999) save for the luxury tax, the players would receive their fair share, even more so if free agency was liberalized substantially. Instead of the New York Rangers spending \$60 million on salaries in 2000-01, some of that money would have been transferred to the smaller markets (Naylor, 2003, January 21) and their profit margin would have remained on the positive side and probably close to \$3.5

million. This leaves two other major problems inherent in revenue sharing, free riders and reduction in team values.

With revenue sharing, each team's financial success is dependant on the success of each and every other team within the league. The more income large markets can produce increases the amount received by a small market and the more revenue generated by a small market reduces the amount a large market has to share. In terms of each revenue sharing scheme discussed, many teams receive a substantial increase in revenue even though their own market is lagging.

Using attendance, which is generated by ticket sales, the NHL's number one source of revenue, and comparing Table 12 to Table 13, it is apparent that many teams with low attendance receive nice bonuses when revenue sharing is involved. For example, Carolina, with an average attendance of only 71.3% of capacity, would have received between \$4.7 and \$9.7 million extra with revenue sharing in 2000-01. In addition, large market teams might find it beneficial to not maximize revenues in order to also share income. Large market Chicago, with an average attendance of 73.2% of capacity in 2000-01 would have actually increased their revenue through the 60-40 ticket and 50% local television shared scheme by \$2.9 million. Table 14 uses revenue figures from 1999-00 and illustrates this scenario best. The table is divided into revenue per team for 1999-00, revenue per team using the ticket/local television scheme and revenue per team using the same scheme assuming 100% attendance across the league. The bottom 13 teams in the table illustrate that as revenue is shared, their own income is increased and as the league strives for 100% attendance or a maximization of revenues, their share rises even more. It is assumed these teams will strive to maximize the revenue in their own

market in order to reap the benefits of revenue sharing. The top five teams in the table slowly lose money as they have to share their income and even more so as the league strives for 100% attendance. It is assumed they will not strive as hard to maximize revenues because their benefit decreases as a result. These issues cause an enforcement problem.

Simply enough, each team, be it in a wealthier or inferior market, has to understand the success of the league depends on their cooperation. A franchise that has the ability to generate millions of dollars more in luxury suite and ticket revenue has to continue to strive to achieve it for the good of the whole. The league itself might consider employing somebody with every team to ensure that each market is being utilized to its full potential while developing marketing ideas specific to each area. At first, some markets will not be as strong as others such as the case right now. However, if each team is given more of an equal chance to acquire similar players aided by a reduction in free agency restrictions, the league should become more competitive as long as the small market teams use the extra money to develop their team and not simply to improve profits (if they don't, minimum payrolls might have to be instituted). For instance, the low payroll teams that are forced to depend on a defensive style of play to impede talented and offensively skilled players thereby giving themselves a chance to win might start to play more of a free-wheeling game because the teams have been evened out. Combine this with the suggestions proposed in the last section designed to improve the game itself and more fans will start to believe their team always has a legitimate shot to win an entertaining game.

As more fans in all areas start to enjoy the game of hockey, as exemplified by the NFL's competitive balance and high attendance ratings, demand and revenues will increase giving more markets the ability to support themselves and the larger markets will have to share less and less. Some markets might never warm up to the game of hockey and their teams may have to move but with vigorous revenue sharing comes an improvement in competitive balance, which leads to a larger following, ultimately leading to an increase in television and marketing revenues. This would inflate the value of every team in the league.

In the end, by deinstitutionalizing further to become more cooperative, the NHL will improve its competitive and therefore financial balance league wide and in the long run, the system is fair to everyone.

Emerging Events and Data

Recall that one uncontrollable phenomenon evident in the NHL is the difference in value between the Canadian and American dollar. The NHL has attempted to combat this problem through a cooperative revenue sharing mechanism however the solution barely makes up for the impact felt by Canadian teams. A new league wide revenue sharing scheme would probably reduce the acceptance of the Group II Equalization and Supplemental Currency Assistance Plans thereby reducing the new revenue figures calculated in Table 13 for small market Canadian teams by \$2 or \$3 million so, perhaps, there is an additional solution that lies outside the boundaries of the NHL.

The government of Canada has said that until the NHL comes up with a viable solution to help keep Canadian small market teams financially stable, they will not invest another penny of taxpayer money into the league (MacDonald, 2003, January 27; Public

Policy Forum, 1999). The evidence presented in this paper illustrates that even with various solutions adopted by the league, small market Canadian teams will still have a problem remaining viable due to the currency difference. One solution proposed by Brian Burke, the general manager of the Vancouver Canucks, is to use Canadian lottery money generated from NHL games to assist Canadian franchises. Since the money is produced using NHL schedules and results, it is essentially derived from the pockets of NHL fans and directing it towards helping Canadian NHL teams combat the currency problem is not synonymous with taking funds that would otherwise be used for healthcare and other social programs (MacDonald, 2003, January 27).

Part of the \$300 million generated each year (MacDonald, 2003, January 27) could be used strictly to pay the currency difference on player salaries. This number amounted to \$125 million in 2001-02 for all six Canadian teams. In order to qualify for this scheme, teams might have to reach a reasonable season ticket target and maintain revenues below the league average similar to the qualifying procedure in the NHL's current program (Public Policy Forum, 1999). Since betting on NHL games is somehow related to fan interest, a reduction in Canadian teams would surely reduce the amount of total revenue from such lotteries. With the aforementioned plan, the government would still receive excess money to invest in social programs while helping to keep the lottery revenue generating teams viable.

Increasing Structural Disaggregation

The league has expanded into markets that are new to hockey and has to develop a cooperative plan by involving the solutions mentioned in this chapter in order to grow the game in new areas. Once the fans see that their city has a competitive team, attraction

to the game will increase (Gorman & Calhoun, 1994) and so will the strength of the market resulting in a growth in league revenues. Appendix AF makes a strong argument for this case by comparing different cultures that were new to professional hockey in the early 1990s.

The Other Pressures

Obviously, the solutions mentioned throughout this chapter that aim to create a financially and competitively balanced league through increased concessions for the players and cooperative mechanisms among the owners are based on the mounting performance problems evident in the NHL. Some pressures, though, have either exercised their full effect already, no longer exist, or are not relevant to the NHL's situation.

First, there is really no cooperative innovation or innovative concession that will create a competitively and financially balanced league because the two main parties, owners and players, will always exist, each with relative power.

As for changing economic utility, based on the theory of MRP and a professional athlete's salary, most owners will now continue to pay their players based on the revenue derived by them while maintaining some profit (Quirk & Fort, 1999) regardless of the cooperative mechanisms employed.

Third, in order to combat any pressures created by competition for resources, another professional league with the stature of the NHL would have to exist to compete for players. While this is not the case right now, a new WHA is set to begin play in 2004 (Karl, 2003, May 2). Should the league become as prominent as it did in the 1970s, the NHL might be forced to maintain their stature through cooperative mechanisms and concessions for the players, however, it does not seem as though that will be necessary.

The new WHA will employ a \$10 million salary cap thus reducing competition for players (Karl, 2003, May 2). A subsequent merger by the two leagues might result in similar changes and thus a decrease in historical continuity, however, based on the former evidence, a merger is not likely.

Finally, should a strike or lockout ensue with one party claiming that the other refuses to bargain in good faith such was the case in MLB (Miller, 1991) or if the players bring forward an antitrust lawsuit similar to some of the cases in the NBA or NFL (Staudohar, 1996), a new precedent might force the owners to agree on a cooperative system with some form of cost certainty while allowing the players increased liberality in terms of free agency.

Implementation: The Kotter Model

Gary Bettman's positive attitude has provided the league with excellent leadership over the last ten years resulting in additional shared revenue in the form of expansion income along with significantly more revenue derived from national television. However, there are no signs that the NHL will be expanding any more in the near future nor should they. And if television ratings continue to decline, the national broadcast deals will become smaller and smaller (Houston, 2003, January 20). It is time for Bettman to lead the owners into a cooperative revenue sharing system similar to one of the solutions described above in order to combat some of the financial disparities among franchises and create a more competitively balanced league.

John Kotter (1996) developed an eight-stage process most organizations should follow when embarking on change of massive proportions. With the expiry of the current CBA only a year away, Bettman does not have adequate time to convince 30 owners that

the long standing practice of not sharing local revenue needs to be changed, however, using Kotter's (1996) advice, he can initiate the momentum.

Of course, initiating change in a professional sports league in today's age usually requires collective bargaining on the part of the owners and players, however, the Executive Director of the NHLPA, Bob Goodenow, has given the league the green light to develop their own revenue sharing plan (Sullivan, 2003, March 31). In response to this, Gary Bettman is only interested in cost certainty at this time and instead wants to meet with the union as soon as possible (Friedman, 2003, February 1) to commence negotiations on that issue. As illustrated previously, in order to fully deinstitutionalize, local revenue sharing is a must for the NHL. Bettman should initiate it immediately.

Establishing a Sense of Urgency

This is the first step in Kotter's (1996) change process. Essentially, it is important for managers to present a crisis or a set of opportunities to the senior staff in order to convince the organization that change is required. Concrete data and hard facts are necessary to negate any refutation of the evidence.

NHL owners are aware that a problem exists and Appendices C through G of this paper illustrate the financial stability and competitive balance problems apparent in the league. The problem is the owners are almost unanimous on the solution, which amounts to a form of cost certainty (Friedman, 2003, February 1; MacDonald, 2003, January 27).

Creating the Guiding Coalition

It is essential for the managers leading change to develop a partnership with several experts in the organization who maintain leadership and management skills.

Within this group, it is important to establish trust in combination with a common goal that is both sensible and appealing (Kotter, 1996).

Gary Bettman would not have a problem selling the idea of local revenue sharing to the twenty plus owners who will benefit immediately from the solution. However, it is the five, six or seven large market owners who refuse to give up a portion of their profits that makes the plan hard to adopt. Bettman has to find two or three smart and prudent large market owners who have the league's interests at heart and understand that this idea will benefit everyone and increase the value of all NHL teams in the long run. It has been suggested that Ed Snider, governor for the Philadelphia Flyers, would perhaps buy into a local revenue sharing system that works for the league while reducing costs for his own club (MacDonald, 2003, January 27). Large market owners with this type of vision are who Bettman needs to coalesce with in order to adopt the idea.

Developing a Vision and Strategy

According to Kotter (1996), an effective vision has to convey a picture of what the future will look like and be appealing to stakeholders. It also has to remain focused yet flexible in order to adapt to any changing conditions. Finally, it is essential to create a realistic and attainable vision that is easy to communicate and understand.

Here is an example of a vision the NHL would want to achieve, "The NHL will strive to be the most exciting hockey league in the world by showcasing the talents and speed of the best players worldwide. Through local revenue sharing it will become financially and competitively balanced to the point that each team and its fans will truly believe they have an equal shot at building a Stanley Cup contending franchise while remaining profitable. As a result, within five years, league wide revenues will have risen

by 200%.” This paper surely projects the same type of vision that Gary Bettman would employ in the NHL, however, the ideas and arguments proposed here call for local revenue sharing and not cost certainty to attain that vision.

Communicating the Change Vision

It is essential for change leaders to constantly communicate the vision. Using every possible medium, the coalition has to repeat the vision along with the change strategies while modeling such behaviour themselves (Kotter, 1996).

NHL large and small markets alike wishing to adopt local revenue sharing have to show the disbelievers that they will build their own market to its highest potential. In addition, during any contact with team owners, it is important for the coalition to produce evidence suggesting that local revenue sharing is an effective way to fix league performance. They can do this through the scientific literature pointing to revenue sharing and not cost certainty as a viable solution and by using other leagues such as the NFL as examples illustrating the success of the mechanism.

Empowering Broad-Based Action

It is important for an organization to garner the support of all its employees when embarking on a change initiative. Communication is essential to create a shared sense of purpose and all systems and structures must be aligned with the vision. The change leaders should encourage risk-taking and non-traditional ideas, activities and actions from its employees (Kotter, 1996).

The NHL’s employees are also its Board of Governors. The change coalition has to convince them that the risk inherent in giving up some of their local revenue will pay off a few years down the road. The league also has to align its 30 franchises in a way that

will produce the highest results in each market while removing obstacles blocking that route. Employing someone in each city to study the intricacies of each individual area and then reporting back to the league could possibly do this.

Generating Short Term Wins

Change in any organization is a long process and it might take years to fully achieve the vision. It is necessary to keep everyone on the change path and creating short-term gains does this. It is also necessary to visibly recognize and reward those who made the wins possible (Kotter, 1996).

Improved attendance figures, more proportioned player salaries, increased profits among small market teams along with similar profit margins for large market teams and/or larger television deals, as slight as the gains may be, would show everyone that local revenue sharing is worth it. New audience demographics and/or increases in television ratings would also keep the momentum up. Much of the credit would have to go to the large market owners, especially in the first few years of the new system, as their sacrifices would have made the wins possible. However, small market teams must also demonstrate that they are not incompetent free riders through open information sharing and aggressive local marketing.

Consolidating Gains and Producing More Change

The increased credibility accumulated from short-term wins is used to change systems and policies that do not correspond with the transformation vision. It is also important to develop people who have the ability to implement the change (Kotter, 1996).

Local revenue sharing in the NHL would have to start slow, perhaps using the first solution mentioned in the previous section. However, once the short-term gains were

realized, the amount shared would also increase. The ideas proposed in this paper might not fit perfectly with the NHL's vision, therefore, a committee of owners who are 100% behind the idea of transformation could work to develop ideal solutions. In addition, the NHL is not a traditional organization as each governor is essentially a free market owner, therefore, the league could not just hand any dissenters a retirement package. However, they could ask any owner who does not have the league interests at heart to sell his or her stake in the NHL.

Anchoring New Approaches in the Culture

An organization must articulate to its managers and staff the connections between organizational success and the change that brought it there. Documentation is essential to ensure leadership development and succession. If there is no evidence illustrating new policies and procedures, a change in leadership might result in a reversion back to old traditions and practices (Kotter, 1996).

In the NHL's case, it is important to engrain the new revenue sharing and marketing practices into the culture of the ownership group. In addition, incoming owners would have to be educated on the financial and competitive successes inherent in the new system. Documentation in the league's CBA and bylaw manual would provide future leaders with the necessary information to continue running a stable league just as it has in the NFL for over 40 years now.

Chapter 5 – Conclusion and Future Research Directions

Using the theory of deinstitutionalization developed by Christine Oliver (1992), this paper hypothesized that the NHL has slowly moved from an organization comprised of individual owner interests who supported taken-for-granted employment relations with the players, to one characterized by cooperation among owners mirroring more of a single entity whereby the players have enjoyed increased compensation and freedom of employment.

However, many events and leaders along the way have impeded this transformation leaving the NHL years behind the other major North American sports leagues. The NHL still has the strictest free agency regulations and they share the least amount of revenue. Should they continue deinstitutionalizing in a cooperative direction instead of forcing additional concessions onto the players, the author predicts the league will become financially and competitively balanced.

This prediction is also based on several studies done on revenue sharing and cost certainty, which were outlined in the literature review along with an analysis of technically specific solutions implemented in other leagues. While MLB finally came to a solution in 2002 that includes additional local revenue sharing and appears to give small market teams a fighting chance to stay competitive and profitable, only the NFL and NBA's solutions have actually produced results. The NFL's vigorous revenue sharing provided years of stability until about the late 1980s when labour strife impeded the momentum of the league (Staudohar, 1996). However, combining liberal free agency and a form of cost certainty, the league has become consistently competitively balanced and financial stability and popularity remain strong. The NBA on the other hand has used

only cost certainty to attempt to combat their financial and competitive problems while trying to grow the league as a single entity but without sharing in local revenue. The results in this paper illustrate that some financial problems still exist, popularity is waning and consistent competitive balance has yet to be achieved. The luxury tax only took effect in 2001-02 and actually transfers money to small market teams. The future remains somewhat uncertain, however, without local revenue sharing, the luxury tax did little to combat performance problems in MLB (Dworkin & Posthuma, 2002). Future researchers might consider studying the impact of the tax a few years down the road so long as it is negotiated into the NBA's next CBA. In addition, future research should aim to uncover the impact MLB's new system will have on its financial and competitive stability.

The evidence in this paper suggests that revenue sharing will increase the NHL's performance both financially and competitively and it is apparent that the league's course to full deinstitutionalization requires significantly more cooperation among the owners and less pressure on the players to conform to demands for cost certainty. However, the conflict between players and owners continues. Large market teams refuse to give up a portion of their local revenue and still do not see the benefit that increased revenue sharing will bring in the long run. They do not see that it will improve league performance and also provide every team with financial stability. The league would be cooperating on a much higher level, however, individual teams would maintain separate ownership but on more of an even keel in terms of revenue with the ability to acquire equal amounts of talent thereby strengthening the fan's perception of competition.

Enforcement problems are inherent in any revenue sharing scheme, however, through negotiations and careful planning there are several ways, some of which were

suggested in this paper, to combat the major issues. The biggest impediment to local revenue sharing right now lies in the Commissioner's refusal to initiate an acceptable plan of action immediately. It is not a change that will happen overnight. The Commissioner has to instill the idea in the ownership group methodically and consistently with the firm belief that it is the best solution to improve league performance.

The league also has to work on adapting the game to a wider external audience by first, changing certain rules to enhance the excitement level and then, by marketing the speed and talent extensively. This would create a larger national revenue base and increase the shared proportion thereby leveling out league equality further.

In addition, with significant expansion over the last 12 years, the NHL has structurally disaggregated to find itself in areas unfamiliar with the game of hockey. In order to create a market in these new areas, the league has to modify its existing practices and cooperate financially in order to give the new teams some ability to acquire the necessary resources to attract a dedicated following of hockey fans.

Finally, deinstitutionalization in the said direction will of course and perhaps most importantly, give small market teams, especially those in Canada, a chance to compete year in and year out while maintaining financial viability. Since Canadian teams will still be at a disadvantage to American teams even with the implementations of the proposals contained herein because of the weak Canadian dollar, there are solutions to combat the currency issue further, however, their employment rests solely on the willingness of the players and owners to cooperate. The owners must first cooperate among themselves and then look to the players for some extra help afterwards.

Two small market teams left Canada in the 1990s and now play in American centers. Their relocations were based on similar circumstances. The NHL wanted each team to build a new venue. Neither Winnipeg nor Quebec City could afford to do so without government funding. The owners at the time were not exorbitantly wealthy and desired some sort of system in the NHL to allow their team an equal shot at maintaining profitability. Within the confines of such a system, perhaps each owner could have raised the capital to build a new venue or looked to the government for funding based on conditions that would guarantee the existence of the hockey team for an extended period of time. Speculation aside, what is known is that several Canadian teams face the same set of circumstances now. Even though these teams play in well-equipped venues, the market just does not exist to demand high ticket, luxury suite and advertising prices. However, the interest is strong, the games are exciting, the franchises are well managed and creatively marketed and the proposed solutions resulting in a full deinstitutionalization of the league would keep these teams viable while improving the financial and competitive picture for the whole league.

The current CBA expires in 2004, however, the owners can fix league performance immediately by cooperating further on a financial level. They can then look to the players to agree to cost certainty in the form of a luxury tax but only after relaxing some of the free agency restrictions. Whatever the outcome, future researchers will want to measure the impact of the new system because in the end, the most important factor is a well-balanced and competitive league that will provide North America with an unmatched form of entertainment.

Endnotes

¹ After he bought the Chicago Blackhawks in 1944, James E. Norris owned three out of six NHL teams including the Detroit Red Wings. His interest in Madison Square Gardens made him a majority owner of the New York Rangers and he also had control over the Boston Bruins for some time (Cruise & Griffiths, 1991).

² One of these teams finished first overall from 1943-44 until 1966-67. During that time, only Chicago finished atop the league once. And while Chicago won one Stanley Cup during the same time, Montreal, Detroit or Toronto was the champion every other year (Klein & Reif, 2001).

³ In 1955-56, each American team received a portion of \$100,000 in return for a 10 game series on CBS. That number jumped to \$210,000 for the 1956-57 season and 21 games. The Maple Leafs and Canadiens each received \$331,000 for television and radio rights in 1956-57 (Cruise & Griffiths, 1991).

⁴ All these mechanisms turned players into virtual servants averaging a salary of \$8000 in 1957 with some players making as little as \$3500. At that time the average sportswriter received \$4800 and the average teacher about \$5500. However, players were also required to pay most of their own expenses. Some had to pay for two residences if they were traded in mid-season. If they wanted their wives to attend training camps, they had to foot the bill for accommodations and transportation and \$900 came off the top of a player's annual salary for the pension fund. Some also carried additional insurance for fear of a career ending injury and rarely received compensation from their team if they were hurt towards the end of the season and prevented from earning off-season income. Once all these bits and pieces were subtracted from their gross salary, it was reduced by about 25% (Cruise & Griffiths, 1991).

⁵ Maple Leaf Gardens, owned by Conn Smythe and his partners, had an interest in the Maple Leafs and between 1932 and 1957, earned a profit of \$3.4 million (Cruise & Griffiths, 1991). MSG declared a profit of \$0.5 million in 1955 but the actual number was much higher because a portion of the dividends were siphoned to Jimmy Norris, Arthur Wirtz and other shareholders in 1954, 1955 and 1956. In addition, franchises use to under-report attendance figures or bring in more fans per game than the arena was rated for and pocket the extra money (Cruise & Griffiths, 1991; Dowbiggin, 1993, p. 161). Increased ticket revenue combined with the television deals mentioned earlier made NHL owners very rich. In fact, the period of 1955 to 1965 was a very profitable time for the owners but the players' share of the revenue actually declined while their pensions remained stagnant (Cruise & Griffiths, 1991).

⁶ On December 7, 1979, six strong drawing NBA franchises met at the 21 Club in New York City. In attendance were the New York Knicks, New Jersey Nets, Philadelphia 76ers, Boston Celtics, LA Lakers and Chicago Bulls. The meeting was held to develop unified resistance to any changes in the gate or local TV revenue-sharing rules of the NBA. The "unholy six", a name dubbed by some of the frustrated small-city owners, formed a coalition to block such a change. As a result, revenue sharing rules among teams have remained unchanged in the NBA up to the present day (Quirk & Fort, 1999 pp. 64-65).

⁷ Before Pete Rozelle convinced the larger market teams that revenue sharing would create a stronger league, each team was making its own television deals. Cleveland

had a syndication deal with a private network and NBC was buying the rights to Pittsburgh and Baltimore games. Most of the other teams fended for themselves on CBS. In 1961, most of the small market teams received about \$150,000 from television and the larger markets received about \$500,000 (King, 1994, September 19).

⁸ In the 16 months after Gretzky signed with the Kings, 11 high-profile players renegotiated contracts for huge increases including Mario Lemieux who obtained a new \$2 million per year deal (Cruise & Griffiths, 1991). Others included Mark Messier, Eric Lindros and Pavel Bure (Staudohar, 1996, p. 139). Bob Goodenow suggested that Gretzky's signing unlocked the ability for owners to pay their players large salaries. Combined with salary disclosure and arbitration, even lesser players have thrived. Income was pushed up 200 to 300% within two years and even rookies went from making an average of \$105,000 per year to about \$135,000 (Cruise & Griffiths, 1991; Dowbiggin, 1993, p. 13, Shoalts, 2003, January 18). Of course salaries have risen every year since.

⁹ Since setting his original mandate, corporate sponsorship at the league level has grown from \$25 million in 1993 to \$400 million in 2002-03. Corporate sponsors continue to rise along with merchandising sales, broadcasting revenues and licensing. These incredible increases stem from the fact that the league has begun to market itself substantially worldwide aided by the large base of players who come from outside North America (Fischler, 1995, p. 55; Naylor, 2003, January 21). Ed Horn, the newest president of NHL Enterprises Inc. said, "I think it's a combination of things, but it also has been the commissioner taking a sport that was operational and turning it into a marketing organization." (Naylor, 2003, January 21)

¹⁰ The first NFL league-wide television contract negotiated was with CBS Sports for 1962 and 1963 and paid the league \$4.65 million per year amounting to about \$330,000 per franchise. In 1964, all three major networks wanted the rights to televise NFL football and a secret bidding process took place. NBC offered \$10.75 million per year, ABC offered \$13.2 million and the high bid was CBS who offered \$14.1 million per year for the right to televise NFL football. This would give each team approximately \$1 million per season (Harris, 1986).

¹¹ In 1984, U.S. teams received \$750,000 instead of just over \$150,000. That number continued to rise year after year and was a start to help out the small market teams (Stein, 1997). Evidently CTV was not very profitable in the original deal and Molson eventually bought out Carling O'Keefe in 1989 (Cruise & Griffiths, 1991). Today the NHL still shares all national broadcast revenue and in 2002-03 earned \$120 million with American stations and \$100 million in Canada (Houston, 2003, January 20).

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Appendix A The Demise of the Winnipeg Jets

The Winnipeg Jets entered the NHL in 1979 along with the Hartford Whalers, Edmonton Oilers and ironically, the Quebec Nordiques. Until their move to Phoenix in 1996, the Jets, for the most part, were financially unviable (Silver, 1996). Player salaries were not a big issue in the early 1980s, as payrolls remained relatively low. For instance, the small market Edmonton Oilers put together a dynasty that saw them win five Stanley Cups in seven years with a payroll under \$4 million annually (Silver, 1996).

Most of the Jets money woes were founded in their rental agreement with Winnipeg Enterprises; the owner of the Winnipeg Arena that housed many elite hockey teams represented by the City of Winnipeg throughout the latter half of the 20th Century. Dating back to 1956-57, the Winnipeg Warriors paid Enterprises 20% of gross ticket sales while Enterprises also took all the money for parking and concessions. Until their departure in 1996, the Winnipeg Jets faced the same problems. While many teams collect at least some revenue from the operations of their building, the Jets were never able to do the same (Silver, 1996).

In order to combat these issues, the owners of the Winnipeg Jets attempted, on several occasions, to construct an arena that would enable them to collect the needed revenue from concessions and parking. However the government was constantly looked upon to aid in the funding of a new arena just as they had been when they footed the \$3.5 million price tag in order to expand the existing Winnipeg Arena from 10,000 to 15,000 seats. This was a stipulation before the NHL would allow the Winnipeg Jets into the league (Silver, 1996).

The Jet's owner's aspirations to again enlist the aid of government aroused concerns from many Manitoba taxpayers, politicians and interest groups. Note that the government was already supporting the losses created by the expense of running a National Hockey League team in the 1990s. In 1991, an Interim Operating Agreement was introduced (IOA) while alternative arena sites were investigated. Simply put, the IOA saw the Manitoba provincial and the Winnipeg municipal governments share the burden of the Jets' losses from July 1, 1991 to June 30, 1997 (Silver, 1996).

And while the government was footing the bill for all these losses, the corporate sector was investing little of their own money to support the team. Many different corporate groups contributed time and energy to help keep the team financially afloat but invested very little of their own cash. It was suggested that they felt the investment would be too risky (Silver, 1996).

The NHL was also putting the heat on the owners to build a new arena. Specifically, the new commissioner of the NHL, Gary Bettman, had specifications that he wanted every NHL arena to meet. Some cities required minor renovations while other's needed to have new buildings. Winnipeg was one of these cities (Silver, 1996).

With all the Jets' woes, it is not certain that even a CBA with revenue sharing and a salary cap would have saved the team. However, there were several cost benefit analyses done that measured the economic impact of a professional hockey team in Winnipeg. Most of these studies were said to underestimate the future cost of player salaries (Silver, 1996). Had some form of cost certainty or revenue sharing been in place, perhaps these reports could have generated more concrete numbers that would have

provided solid ground to base decisions on. Unfortunately for Winnipeg hockey fans, no such cost certainty was imminent.

In fact, the NHL lockout of 1994-95 ended with no meaningful salary cap or revenue sharing schemes. Three specific consulting reports indicated that without a salary cap and revenue sharing or at least one such mechanism in place, there was no way that an arena deal would work (Silver, 1996). And without a new arena, the NHL would not allow the Jets to stay in Winnipeg nor could they afford to.

Appendix B The Demise of the Quebec Nordiques

The Quebec Nordiques endured a fate similar to that of Winnipeg. As with the Jets, they were also on the wrong end of an economic disparity that saw so many teams playing in new, expensive buildings lined with luxury boxes that brought in significantly more revenue than ticket sales alone. In order to compete in the modern day NHL, Marcel Aubut and his fellow owners required an arena that also gave them control over the concessions and parking (Diamond, 2000). Aubut and his five limited partners, like the owners of the Jets, looked for government help. However, the premier of Quebec, Jacques Parizeau, refused to use taxpayer money to finance a new 19,000 seat arena (Duhatschek, 2000) without the assurance of getting the cash back if the team was sold in the future. The government also offered to buy \$17 million in Nordique shares while absorbing \$14 million of the team's debt over the following two seasons (Talks extended on Nords Future, 1995) but conveyed that unless the NHL franchise guaranteed a reduction in spending and sold about 100 luxury boxes, it would not consider the construction of a new arena with taxpayer money (Nordiques deny government made bid to acquire part of franchise, 1995). For Aubut though, it would not be enough just to help keep the team afloat. He needed an immediate commitment to build a new arena with a promise to cover operating losses as well (Double overtime: hockey fans in Winnipeg and Quebec City fight to save their teams, 1995).

Appendix C

Salaries and Revenue Disparities in the NHL

There is no question that salaries in the NHL have been rising steadily over the last 14 seasons. In 1989-90 the average NHL salary was \$232,000 USD (Kagan, 2001b). Four years later it had more than doubled to \$560,000 USD (Kagan, 2001b). The season after the shortened 1994-95 campaign saw the average NHL player making \$892,000 USD (Kagan, 2001b). At the turn of the century, the average had jumped to \$1.3 million USD (Kagan, 2001b). And during the 2002-03 NHL season, the average player made \$1.7 million USD (NHL Salaries, 2002-2003, 2003). Table 11 outlines team salaries from 2000-01 to 2002-03.

Revenues generated by each NHL team differ greatly (playoff income is not included in any revenue figures unless specifically referred to). In 2000-01 the Toronto Maple Leafs brought in the most money at \$107 million. The Phoenix Coyotes brought in less than half that at \$53 million. And yet the Coyotes only spent \$1 million less on expenses (Kagan, 2001b). These two examples represent the extreme highs and lows with respect to revenue and all the teams together averaged \$68 million in revenue and \$61.2 million in expenses (Kagan, 2001b). See Table 10 for all team revenues in 2000-01.

Within these averages, however, lie many disparities. Over the course of three seasons from 1998-99 to 2000-01, 11 teams, including Toronto, the New York Rangers, Detroit, Montreal, Colorado and San Jose, consistently drew revenues large enough to put them in the top 15. During the same period, 11 teams including, Pittsburgh, Buffalo, Carolina, Ottawa, Edmonton and Calgary, constantly remained in the bottom 15. In 2000-01, the top eight teams in terms of revenue generated an average cash flow of \$21.9 million while the bottom eight lost an average of \$5.4 million. Although three of these teams are Canadian (Edmonton, Vancouver and Calgary), the bottom five are American (New Jersey, Anaheim, Buffalo, Washington and Phoenix) (Kagan, 2001b).

Appendix D American Franchise Viability

It has been suggested that franchise viability problems exist only within Canada simply because expenses are paid in American currency while revenue is collected in Canadian dollars (MacDonald, 2003). However, the currency difference is not the only problem (playoff income is not included in any revenue figures unless specifically referred to).

The first point addressed is attendance. Since ticket sales are the number one source of revenue in the NHL (Kagan, 2001b), it is important for the market, especially small markets, to support the team. Not taking into account possible management problems, especially due to the fact that they had losing records, two franchises from American markets relocated during the 1990s. On average, fans prefer to watch teams with winning records. Rising salaries and low revenue resulting in the inability to ice a competitive team might have been an excuse for the poor performance of these small market teams in the 1990s, however, it does not quite explain why the management had so much trouble building winning teams for a sustained period of time prior to that.

The Minnesota North Stars, with an average attendance over 26 years of 83% capacity and a win/loss record of 0.439, left for Dallas in 1993 and the Hartford Whalers left for Carolina in 1997 after averaging 78% of capacity over 16 years with a win/loss record of 0.430. During many years, crowds filled less than 70% of each building (Attendance Figures, 2002; Klein & Reif, 2001). Table 12 outlines attendance for each team in the NHL from 2000-01 to 2002-03.

The attendance problems in Minnesota were unusual considering the hockey hotbed it is (LaBlanc, 1994) which is probably why the region has recently been awarded another NHL franchise. However, the Minnesota Wild, who play out of St. Paul instead of Minneapolis, played in front of crowds averaging 100% of capacity (Kagan, 2001b; NHL Attendance Leaders, 2003) during their first three years of existence. This is quite a jump but not a huge surprise considering that Minnesota boasts some of the best college hockey in the US. However, with erratic attendance being far too common combined with low local TV revenues and escalating player costs (Stein, 1997), Norm Green decided to move the franchise that he bought from George and Gordon Gund in 1990 for \$38 million, to Dallas (LaBlanc, 1994), where attendance has been quite steady (Attendance Figures, 2002). Both the new Minnesota and the old Minnesota did fine financially during the 2000-01 season. The Dallas Stars, now owned by Thomas Hicks (Kagan, 2001b) had a cash flow of \$10.6 million. The Wild were behind only Toronto earning \$26.7 million (Kagan, 2001b). Average attendance reached 100% for each team during the 2001-02 and 2002-03 campaigns (NHL Attendance Leaders, 2003).

Unfortunately, the owner of the Hartford Whalers did not fair as well. With attendance continuing to be a problem, the Whalers were the subject of relocation rumours during the 1992-93 season. However, while the owner at the time, Richard Gordon, was negotiating a new lease on the Hartford Civic Centre, the Governor of Connecticut, Lowell Wecker, insisted that he would not let the Whalers leave town. Unfortunately, attendance sustained low levels and even the luxurious Civic Centre skyboxes, a huge source of revenue for any team, began to vacate (LaBlanc, 1994). In 1994, Gordon sold the Whalers to Peter Karmanos, Thomas Thewes and Jim Rutherford

for \$47.5 million. Amidst the usual protests and even a “Save the Whale” campaign, Karmanos confirmed that the team would play elsewhere in 1997 (Diamond, 2000).

Elsewhere turned out to be North Carolina, a hotbed for NASCAR racing and college basketball. Attendance did not increase as Karmanos had hoped, however, once the team moved to Raleigh from Greensboro, average attendance went up 4,000 per game (Diamond, 2000). But in 1999-00 that still made Carolina the second lowest city in terms of attendance attracting just enough fans to fill 65.3% of their venue (Kagan, 2001b). Attendance did increase one year later to 71.3% of capacity and in 2001-02, Hurricane fans filled 82.8% of the Raleigh Entertainment and Sports Arena (NHL Attendance Leaders, 2003).

So the Carolina Hurricanes are attracting almost as many fans on average as the Hartford Whalers did. Their low attendance certainly isn't helping them financially, however. In 2000-01 they were in the black by \$0.9 million (Kagan, 2001b) and average attendance rose the following season and again in 2002-03 to 83.7% of capacity (NHL Attendance Leaders, 2003). It appears that Carolina is slowly adopting professional hockey as a form of entertainment and their run to the Stanley Cup finals in 2002 likely encouraged this. The true test will come in 2003-04. Will the fans return after a last place finish in 2003 (NHL Standings, 2002-2003, 2003)?

Other American NHL cities are struggling to attract fans as well (Attendance Figures, 2003). While the average attendance during 2002-03 was 88.6% of capacity in US cities, it was 97.6% in Canadian cities (NHL Attendance Leaders, 2003) and all six Canadian cities were in the top half of the league. Granted, most of the expansion in the NHL took place in sunny American cities not accustomed to the sport of hockey, however, cities like Chicago and Boston, which were original six franchises, along with New Jersey, which has won two Stanley Cups in the last eight years, are not filling their buildings (NHL Attendance Leaders, 2003).

Attendance is a problem. However, it is not the only problem plaguing the finances of many NHL teams. Chicago averaged 73.2% (NHL Attendance Leaders, 2003) of capacity in 2000-01 and still retained a positive cash flow of \$10 million (Kagan, 2001b). Boston, while only filling 87.9% (NHL Attendance Leaders, 2003) of their building, also made a profit, albeit a small one, of \$1.3 million (Kagan, 2001b). Even the relatively new Tampa Bay Lightning, which averaged 14,906 fans at 75.4% capacity (NHL Attendance Leaders, 2003), managed a profit of \$18 million (Kagan, 2001b). And finally, the New York Islanders, with a dismal 68% average capacity (NHL Attendance Leaders, 2003), saw a positive cash flow of \$7.9 million (Kagan, 2001b).

Conversely, American teams with low attendance are also losing money. As mentioned earlier, the two-time Stanley Cup Champion New Jersey Devils are having difficulty filling their building. In 2000-01, the team averaged 15,642 fans for a capacity of 82.2% (NHL Attendance Leaders, 2003) and lost \$1.4 million (Kagan, 2001b). Attendance seems to be decreasing as well because during 2002-03, the building was only filled to 78% of capacity. The Anaheim Mighty Ducks lost \$6.3 million in 2000-01 (Kagan, 2001b) with an average capacity crowd of 78.6% (NHL Attendance Leaders, 2003) and Washington attracted only 15,534 fans per game that amounted to 83.2% of capacity (NHL Attendance Leaders, 2003) and a loss of \$9.6 million (Kagan, 2001b). Finally, Phoenix, who filled their building to roughly the same capacity as Boston at 87.7% (NHL Attendance Leaders, 2003) lost \$15.3 million in 2000-01 (Kagan, 2001b).

Interestingly, teams that don't fill their buildings either lose money or make money. What variables account for the disparity? As mentioned earlier, the Boston Bruins attracted, on average, 15,432 fans per game for a mean capacity of 87.9% and a total attendance for the year of 632,746 (NHL Attendance Leaders, 2003). The Washington Capitals attracted slightly more fans that year for a total of 636,914 at an average capacity of 83.2% (NHL Attendance Leaders, 2003). Boston actually accumulated \$4.5 million more in expenses and yet Washington lost \$9.6 million compared to Boston's gain of \$1.3 million (Kagan, 2001b).

The difference, of course, is revenue. Boston's was \$73.8 million and Washington collected only \$58.4 million (Kagan, 2001b). Table D1 illustrates that a ticket to a Boston Bruins' game was significantly higher in 2000-01 compared to Washington and the organization collected gate revenue of \$30.1 million compared to Washington's gate revenue of \$23.2 million (Kagan, 2001b). Tables D2 and 10 respectively illustrate that Boston collected almost twice as much as Washington in luxury suite revenue and another \$3 million over Washington in local media rights (Kagan, 2001b). Both arenas were constructed in the mid 1990s, have about the same number of luxury suites and, in fact, Washington's arena seats more people (Kagan, 2001b).

Another American NHL team that has difficulty competing with the larger market franchises is the Buffalo Sabres. They did run into ownership trouble in 2002 after the financial downfall of the owner, John Rigas and his Adelphia Communications Corporation. The league took over the franchise for most of 2002-03 (Associated Press, 2003, January 13) when attendance was only at 73.5% of capacity (only 70% during the first 25 games) (NHL Attendance Leaders, 2003), however, there is now a new owner in place named Tom Golisano (Gleason, 2003, March 21). It is anticipated that attendance will continue to increase into next year after an all around unstable 2002-03. Even before the team fell on hard times though, in 2000-01 when the average attendance was 17,839 at 95.5% of capacity (NHL Attendance Leaders, 2003), the team still lost \$8.2 million (Kagan, 2001b). Their expenses were comparable to those of Boston but being in a small market, the Sabres were unable to generate the local TV rights that Boston did. As shown by Table D2, they were also unable to sell their luxury suites at the same prices, only \$55,000 to \$100,000 compared to Boston's asking prices of \$181,000 to \$280,000 (Kagan, 2001b).

This is where the franchise viability problems within the NHL become most apparent – differences in revenue. Some teams could continue to sell out their brand new state of the art buildings and not make as much money as another team that only sells out 80% of their brand new state of the art building. Tables 10, D1 and D2 illustrate that some teams are able to sell tickets and luxury suites at higher prices and demand more revenue from local TV rights. The above examples show that the problem is apparent in the US and not just a cause of the difference between US and Canadian currency.

Appendix E Canadian Franchise Viability

From 1998 to 2000, the Edmonton Oilers made a profit of \$3.2 million while the Vancouver Canucks lost \$24.0 million. Calgary was also in the red with a loss of \$6.8 million. In 2000-01, the Edmonton Oilers, Vancouver Canucks and Calgary Flames lost \$700,000, \$800,000, and \$1.0 million respectively (Kagan, 2001b). (All figures for Canadian teams are quoted in American dollars unless otherwise specified and do not include playoff revenue.) Similarly, each team maintained attendance over 90% of capacity with Edmonton averaging 92.7%, Calgary 96.9% and Vancouver 92.4% (NHL Attendance Leaders, 2003). Ottawa lost \$2.7 million in 1998-99 and the following year made \$1.4 million. They also managed a small profit of \$1.2 million in 2000-01 (Kagan, 2001) while maintaining attendance at 96.2% of capacity (NHL Attendance Leaders, 2003). In addition, documents, which were prepared by lawyers and auditors and subsequently obtained by the Globe and Mail in January 2003, indicate that the majority of Canadian franchises lost money in 1996-97 and 1997-98. Including playoff revenue when appropriate, the Edmonton Oilers lost \$5.7 and \$4.2 million respectively while Vancouver lost \$19.7 and \$32.0 million. Calgary lost \$3.0 million but managed a small profit the next year of \$700,000. Contradicting Kagan's (2001b) figures, Ottawa has shown consistent losses of \$16.5, \$22.8, \$12.0, \$8.9, \$8.0 and \$15 million from 1996-97 to 2001-02 for a total of \$83.2 million over six years (Waldie, 2003, January 22), however, it is unclear whether these numbers include debt repayments to the owner of the Corel Centre, Ottawa's venue.

Though faced with substantial losses, it is clear that small market Canadian fans are attending the games. In fact, average attendance has risen over the last two seasons in the four smallest markets from 94.4% in 2001-02 to 96.6% in 2002-03. Including the hockey hotbeds of Montreal and Toronto, the average attendance for 2002-03 increases to 97.6%. Using Table 12, the average Canadian attendance over the last three seasons reveals a number of 96.4%. The argument here is that NHL hockey in Canada attracts fans and the teams could not be moved solely for a lack of interest.

So what is causing this so called crisis in Canada that causes the small market Canadian teams to consistently lose money or barely break even? It is a combination of factors including escalating players' salaries, which were discussed in Appendix C, the devalued Canadian dollar compared to the US currency used by the NHL and the alleged lack of government support (Morrison & Burnside, 2003).

Beginning with the last point first, the first chapter outlined the limited steps taken by Canadian governments to save two NHL franchises and it is probably not in the government's best interest to funnel taxpayers' money directly into the hands of NHL teams. However, even though Canadian NHL teams are in the entertainment business, they are required to pay extra taxes that other entertainers, such as Canadian bands and singers, are not. The federal government, for the most part, does not hand out the same tax breaks and associated perks to NHL hockey teams as they do to movie companies (Morrison & Burnside, 2003).

In addition, Canadian NHL teams are required to pay a significantly higher amount of municipal and provincial property and capital tax compared to that of their American counterparts. In fact, in 1997, all 21 American teams combined paid only one-

quarter of the tax levied by the six Canadian teams (Public Policy Forum, 1999), however, as was outlined in the first chapter, various governments have taken some steps to curb these expenses.

It is also common for American arenas to be subsidized heavily by public funds however most Canadian teams do not enjoy that advantage (Public Policy Forum, 1999). Toronto, Montreal and Vancouver, which built new venues in the last ten years, used no public money to finance construction. Ottawa's Corel Centre was 21% publicly financed and Calgary and Edmonton, which opened their arenas in 1983 and 1974 respectively, did use public funds to finance construction and some of the renovations were also done using public money. Conversely, one-third of American arenas were 100% publicly financed while four used public funds for at least 80% of the construction. Out of the other 12 teams, only Columbus and Boston did not use at least some public money to finance the construction of their venues. Of course, a new arena means more seats, more luxury suites and, as illustrated by Table 10, some teams either own the arena or have a favourable deal with the lessor for luxury suite, concession and parking rights thereby generating more revenue (Kagan, 2001b). It is much easier for the team to succeed financially in a new, state of the art building if the original bill is already paid or generously financed.

Arguably the biggest obstacle Canadian NHL teams face is the weakness of the Canadian dollar compared to the US dollar. While Canadian teams collect almost all their revenue in Canadian currency, they have to pay most of their expenses, most significantly players' salaries, in US dollars. On average, Canadian teams lose about 35% just exchanging their revenue into American currency (Public Policy Forum, 1999). To put this into perspective, had the Canadian dollar been on par with the American dollar, in 2001-02, the Edmonton Oilers would have made a profit of about \$15 million. Instead they lost \$2.2 million. In fact, the Canadian teams combined paid out \$230 million in payrolls alone during 2001-02. Out of this, \$125 million was the difference between Canadian and American currency (MacDonald, 2003).

As mentioned earlier, the average attendance for Canadian NHL teams is in the high 90 percent of capacity. Even with this enviable attendance, the revenue generated, once converted into American funds, is meager when compared to that of US teams. For example, Edmonton and Calgary, during the 2000-01 season, generated gate revenue in the area of \$22 million while Ottawa and Vancouver took in about \$30 million (Kagan, 2001b). Compare this with New Jersey and Atlanta, who only filled up around 82% of their venues but still brought in over \$30 million in gate revenue each. In addition, the average ticket price for an Edmonton game in 1999-00 was \$33.63 which, when converted back into Canadian dollars, is more than the average ticket price of \$46.50 to attend a New Jersey game during the same year (Kagan, 2001b). Examining this even further reveals that a team like Detroit, who fills up their venue to 99% of capacity on average, generated a gate revenue of \$41.2 million in 1999-00 charging an average price of \$50.23 per ticket. Using \$0.65 as an average exchange rate for 1999-00, Edmonton's average ticket price works out to \$51.74 CAD which is still more than Detroit's, however, because of the currency difference, Edmonton collected only almost half of what Detroit did in gate revenue (Kagan, 2001b).

Appendix F Competitive Balance

There is no question that fans prefer to watch winning teams. In 2002-03, the average attendance for teams with winning records was 93.6% of capacity and out of the 15 attendance leaders, 10 had winning records whereas the average attendance for losing teams was 86.7% of capacity and nine out of the bottom 15 teams in terms of attendance had losing records (NHL Attendance Leaders, 2003; NHL Standings 2002-2003, 2003). Therefore, it is necessary for general managers to ice the best group of players they can and provide an opportunity for the fans to watch a winning team. Of course, within professional sports there is always a reasonable amount of doubt as to who will win the game or at least there should be (MacDonald, 2003).

The problem many general managers face is balancing a financially stable team with a competitive team. Notwithstanding growth, salaries have increased at an even faster rate so there is now a disparity between revenue and expenses along with disparities among what teams are allowed to spend. This makes it difficult for teams to retain talent (Morrison & Burnside, 2003, February). The reason Edmonton would have made close to \$15 million after accounting for the currency issue in 2001-02 is because their payroll was among the lowest in the league at \$25.9 million. Calgary, Ottawa and Vancouver were also among the bottom 10 in terms of payroll (2001-02 Team Payrolls, 2001). Statistically, teams cannot continue to build winning teams with payrolls significantly lower than those of their competitors and less wins generally equals less fans, which equals less revenue.

A Spearman Rho Correlation was done using SPSS in deriving the figures for Table 3. Basically, the sample size used was around 30 depending on the year measured, which includes all the teams ranked from 1 to 30 in terms of payroll and then 1 to 30 with regard to winning percentage. The test itself will reveal a correlation between negative one and one. Negative one means that each number is oppositely correlated to the contrasting figure. So if the highest payroll team had the lowest point total and so on and so forth, the correlation would have come out to negative one. Conversely, if the highest payroll team had the highest point total and so on and so forth all the way to the bottom of the list where the lowest payroll team had the lowest point total, the correlation would equal one. If there is no correlation whatsoever, the calculation should end up in the area of zero. A random draw of 30 numbers was done chronologically to illustrate this point and revealed an insignificant correlation of 0.08. The significance level is the amount of error possible in the answer so if it is significant at 0.05, there is a five percent chance of error. Comparing the above numbers to the random draw correlation, it is apparent that there is still some relationship between an NHL team's winning percentage and their payroll.

A simple correlation comparing points earned in a single regular season to a team's payroll reveals 0.45 significant at the 0.05 level during the 2000-01 season. That number jumps to 0.64 significant at the 0.01 level during 2001-02 and then drops to 0.42 significant at the 0.05 level during the 2002-03 campaign of which seven of the top ten teams in terms of payroll finished in the top ten in the standings (NHL Salaries, 2002-2003, 2003; NHL Standings, 2003-2003, 2003). Tables 2 and 3 outline rank correlations comparing payrolls to winning percentages for the NHL, NBA and NFL from 1990 to

2003. The average between the tables indicates that correlation in the NHL has increased significantly over the last seven years.

There are exceptions to this and payroll in no way is the only indicator of a winning team. If the New York Rangers, Ottawa Senators, San Jose Sharks and Minnesota Wild are dropped from the 30-team sample during 2002-03, the correlation jumps from 0.42 to 0.69 and if the former two along with Florida are dropped from the sample during 2000-01, the correlation goes from 0.45 to 0.73, both significant at the 0.01 level leaving a one percent chance for error. This is because Minnesota and Ottawa did quite well with a small payroll and San Jose along with New York and Florida finished poorly with a large payroll. Some of the reasons for these differences follow.

San Jose, 11th in the league with a \$48 million payroll (NHL Salaries, 2002-2003, 2003) finished out of the 2002-03 playoffs with 73 points including only 28 wins combined with 37 losses (NHL Standings, 2002-2003, 2003). At the beginning of the season, some hockey analysts chose the San Jose Sharks to win the Stanley Cup. However, the Sharks started the season without their number one goalie, Evgeni Nabokov, who did not re-sign with the team until late October. Key defenseman, Brad Stuart, missed the first 16 games also due to contract problems combined with an injury. Scott Thornton had shoulder surgery and missed the first 14 games and finally the whole coaching staff was fired on December 1, 2002, barely two months into the season (McKeon, 2003, April 4). By December 20, 2002 after 32 games played, San Jose was sitting in 11th spot out of 15 in the Western Conference (Mackie, 2003, January 3). By the time February rolled around, the Sharks were still in 11th spot and only managed one win on their seven game road trip (McKeon, 2003, April 4). Finally, March saw the Sharks trade away three of their seven most expensive contracts (McKeon, 2003, April 4; NHL Salaries, 2002-2003, 2003) and the general manager, Dean Lombardi who orchestrated the trades, was fired one week after the trade deadline on March 19th. Lombardi was criticized for not signing Nabokov and Stuart earlier as well as his firing of coach Darryl Sutter and assistants so early in the season. Team president Greg Jamison is confident the Sharks will make the playoffs next year and just needed a fresh start (McKeon, 2003, April 4).

Unlike the Sharks who consistently improved over the course of six years before the 2002-03 campaign (McKeon, 2003, April 4), the New York Rangers have struggled consistently over the last number of seasons. Their \$69 million payroll, highest in the NHL (NHL Salaries, 2002-2003, 2003), earned only 78 points in 2002-03 including 32 wins and 36 losses (NHL Standings, 2002-2003, 2003), which was not enough and they missed the post-season for the sixth straight year (Kay & Brender, 2003, February 28). Since 1999-00, the Rangers have had the highest payroll and a number of star players on their roster such as Pavel Bure, Eric Lindros and Alexei Kovalev.

So why is this team having such a hard time just making it to the playoffs? Instead of slowly building a winning team with the ability to maintain high priced talent, the Rangers are simply purchasing the experienced players from other teams. Glen Sather, who built a five-time Stanley Cup champion team in Edmonton, was hired as general manager for the New York Rangers in 2000. Five Stanley Cups for any general manager is obviously an impressive feat, however, Sather's ability to draft future NHL stars eluded him shortly after and his Edmonton Oilers missed the playoffs four straight years in the 1990s. The Rangers hired Sather in 2000 hoping he would turn a team that had

missed the playoffs for three straight seasons, around. The new GM brought in several stars immediately but mixed them with players of limited ability and was unable to create any type of chemistry. He has also hired two unproven head coaches during his rein as GM. Ron Low brought his losing record over from Edmonton and Bryan Trottier had no NHL coaching experience (Kay & Brender, 2003, February 28).

The Rangers mentality seems to follow that of a win now philosophy and they are unwilling to maintain the necessary patience it takes to build a winning team. Sather purchases players that have proven themselves on other teams but has not taken the time to develop players who can learn to play with one another in synch and create that chemistry that enables high payroll teams to win (Kay & Brender, 2003, February 28).

Florida struggled in 2000-01 with a payroll that ranked eighth in the NHL. The bulk of that went to one player, Pavel Bure, who was the fourth highest paid player at the time (Kagan, 2001b). Although the "Russian Rocket" managed to amass a league high, 59 goals (NHLPA.com Player Search, 2003), his team only managed to win 22 games while losing 38. This was tied for the fourth worst record in the league (NHL 2000-2001 Standings, 2001). In fact, Bure himself scored almost 30% of the team's goals that year (NHLPA.com Player Search, 2003; NHL 2000-2001 Standings, 2001) while taking only 21% of the payroll (Kagan, 2001b). Some would say Florida got what they paid for. Unfortunately most would say it takes more to win than one superstar who can put the puck in the net. It appears that Florida has learned their lesson though. In 2002, ironically, they traded Bure to the Rangers (NHLPA.com Player Search, 2003) who, as illustrated above, have not learned their lesson. Florida's payroll dropped significantly in 2002 to \$31 million, which was 22nd in the league (2001-02 Team Payrolls, 2001). They finished with only 60 points that year (NHL 2001-2002 Standings, 2002), however, Bure played 56 out of a possible 82 games with Florida before being traded (NHLPA.com Player Search, 2003). In the first full season without Bure, the Panthers' payroll was \$33 million, tied for 19th with Calgary and Vancouver (NHL Salaries, 2002-2003, 2003). The 2002-03 season saw Florida improve slightly to 70 points (NHL Standings, 2002-2003, 2003). Under the direction of a new head coach Florida is a young team with several developing stars.

On the other hand, the Ottawa Senators, with a payroll of a few million dollars less than that of Florida at only \$30 million (NHL Salaries, 2002-2003, 2003), managed to capture first place overall in 2002-03 with 52 wins and 21 losses (NHL Standings, 2002-2003, 2003). An expansion team in 1992-93, Ottawa finished poorly in the standings for many years enabling them to acquire high draft picks (MacDonald, 2003, January 17). But it has been the management of the Ottawa franchise that has hung onto these draft picks that has caused the team to improve so much. 13 of the players currently playing for the Senators were drafted by the team and have been developed year after year while gaining experience and maturation (Burnside, 2003, January 17).

The coach is also growing with the team. Jacques Martin has remained a fixture with the Senators even though his team had been bounced three straight years by Toronto from the playoffs. Martin realizes that the organization has developed talent but maintains that hard work and a team approach remain the cornerstones of success. His team believes in his abilities and the systems he has preached. He has gained their trust and respect due in large part to the fact that he has remained at his post for so long (Burnside, 2003, January 17).

So unlike the Rangers, Ottawa has thrived on their draft picks while maintaining patience and it looks like Florida is heading in that direction. Ottawa has stuck with their coach through the bad times and as a result finished first overall in 2002-03. But will this trend continue if nothing is done about the current revenue and expense disparities in the league? Will players, such as Alfredsson, Bonk and Redden, who have developed into young stars, demand higher salaries once the opportunity arises (MacDonald, 2003, January 17)?

Finally, the Minnesota Wild, a team made up of so-called has-been players with the exception of a few young talents, surprised a lot of people in 2002-03 (Kay, 2003, April 11). With a payroll of only \$21 million (NHL Salaries, 2002-2003, 2003), the Wild amassed an impressive 93 points by winning 41 games and losing only 29 (NHL Standings, 2002-2003, 2003). Similar to Ottawa, coach Jacques Lemaire preaches a team concept with a concentration on defense. Even with a rising young star by the name of Marion Gaborik, the Minnesota management promotes team unity. They truly believe that the job of their fourth line winger, Matt Johnson, is equally as important to the success of the team as Gaborik's offensive skills (Brophy, 2003, February 7).

In addition, Jacques Lemaire is a proven coach. He won the Stanley Cup in 1995 as the coach of the New Jersey Devils (Brophy, 2003, February 7) and the systems and strategies he has sold his team on have enabled the new franchise to compete with the talent-laden powerhouses of the National Hockey League (Kay & Brender, 2003, April 11). Lemaire is a highly respected individual that demands hard work from his players and in return rolls all four lines consistently (Kay, 2003, April 11). He keeps the dressing room loose and relaxed and truly believes in his team (Darling, 2003, May 8).

The team Lemaire truly believes in is one that is made up of players who have seen adversity throughout their entire professional hockey careers (Darling, 2003, May 8). Dwayne Roloson, the goaltender, has been with three different NHL organizations. Wes Walz came to Minnesota from Lugano of the Swiss League and Filip Kuba never even played a game with his previous team, the Calgary Flames, before being selected by the Wild in the expansion draft. Sergei Zholtok and Cliff Ronning were acquired in exchange for late draft picks. The list goes on (Kay, 2003, April 11). No matter how the team came together, they believe in themselves, each other and never said die throughout the 2002-03 season (Darling, 2003, May 8).

In the end, good coaching, strong management and the will to believe can only take a team so far (MacDonald, 2003) and yes, once a team gets into the playoffs, anything can happen such as an anomaly of upsets. It is still a game full of professional athletes and every team wants to win. It has been said that on any given night, most teams in the NHL can beat any other team in the NHL (Kay & Brender, 2003, April 11). And teams like Ottawa and Minnesota build young talent and enforce defensive systems to gain an edge but it is the teams that have the ability to hang onto talent while tweaking their lineups that have the most success.

Colorado has amassed a record of 181 wins, 96 losses, 42 ties and 14 overtime losses in regular season play while winning one Stanley Cup in the last four years (Klein & Reif, 2001; NHL 2001-2002 Standings, 2002; NHL Standings, 2002-2003, 2003). They also maintained key players during that same time, namely Peter Forsberg, Joe Sakic and goaltender Patrick Roy, whose combined salaries have risen from \$18.5 million in 1999-00 (Kagan, 2001b) to \$27.9 million in 2002-03 (NHL Salaries, 2002-

2003, 2003). In addition, they were able to bring in a key defenseman in 2000. Ray Bourque's salary was an additional \$5.5 million (Kagan, 2001b). Bourque has since retired, however Rob Blake, an acquisition in 2001, received \$9.3 million in compensation in 2002-03 bringing the total for Colorado's top four salaries to \$37.2 million for 2002-03 (NHL Salaries, 2002-2003, 2003) compared to \$23.6 million for their top four salaries in 1999-00 (Kagan, 2001b).

Detroit's regular season record over the last four years is 196-85-39-14 and they have also won a Stanley Cup in that time (Klein & Reif, 2001; NHL 2001-2002 Standings, 2002; NHL Standings, 2002-2003, 2003). Three key players that have remained with the team over that time are Steve Yzerman, Nicklas Lidstrom and Brendan Shanahan who had a combined salary of \$16.0 million in 1999-00 (Kagan, 2001b). In 2002-03 that combined salary rose to \$26.0 million (NHL Salaries, 2002-2003, 2003). Detroit was also able to secure arguably the best goaltender in the game at the time, Dominek Hasek. He helped Detroit to win the Stanley Cup in 2002 while earning \$8.0 million (ESPN.com news services, 2001, August 23). Hasek then retired but returned to Detroit for the 2003-04 campaign however before the start of the 2002-03 season, Detroit signed another reputable goaltender, Curtis Joseph, also for \$8.0 million per season. The 2002-03 campaign saw Detroit's top four salaries at a combined \$34.0 million (NHL Salaries, 2002-2003, 2003) compared to \$20.1 million in 1999-00 (Kagan, 2001b).

Conversely, Edmonton, who has put together a decent record of 145-119-51-24 without winning a playoff series in the last four years (Klein & Reif, 2001; NHL 2001-2002 Standings, 2002; NHL Standings, 2002-2003, 2003), has had to continually trade away key players in an attempt to keep their payroll at an affordable level. In 1999-00, Edmonton's top three salaries equaled \$9.2 million (Kagan, 2001b). In 2002-03, that number only rose to \$9.4 million, however, the salaries belonged to three different players. The former combination belonged to Doug Weight, Bill Guerin and Roman Hamrlik, who made a total of \$20.7 million in 2002-03 each playing for a different team. Ryan Smyth, Janne Niinimaa and goaltender Tommy Salo made up the \$9.4 million for the Oilers in 2002-03. Add in Anson Carter at \$2.4 million and the total for Edmonton's top four salaries last season equaled \$11.8 million (NHL Salaries, 2002-2003, 2003). However, at the trade deadline of 2002-03, general manager Kevin Lowe traded Anson Carter and Janne Niinimaa along with minor leaguer Ales Pisa and a second round draft pick away to the New York Islanders and New York Rangers in exchange for Brad Isbister, Radek Dvorak, Cory Cross and minor leaguer, Raffi Torres (NHL Trade Deadline 2003, 2003). Cross, Dvorak and Isbister earned a total salary of \$4.1 million compared to Niinimaa and Carter's combined salary of \$5.3 million in 2002-03. This means that Edmonton's top four salaries in 2002-03 now equaled \$10.6 million including Salo, Smyth, defenseman Jason Smith and newly acquired left-winger Brad Isbister (NHL Salaries, 2002-2003, 2003). This is even less than the top four salaries combined of \$10.9 million in 1999-00, which belonged to Weight, Guerin, Hamrlik and right-winger Alexander Selivanov (Kagan, 2001b).

Colorado and Detroit's top four salaries combined of \$37.2 and \$34.0 million respectively were more than Edmonton's whole payroll of \$31.0 million in 2002-03 (NHL Salaries, 2002-2003, 2003). Edmonton was a team heading for the playoffs in 2002-03 and they traded away their top scorer in Anson Carter and top defenseman in Janne Niinimaa. It is hard to suggest they made the trades purely to improve their team.

Kevin Lowe is trying to keep his team young and cheap in order to stay financially viable (Kay & Brender, 2003, March 28).

A team like Ottawa would probably stay quite competitive if they could hang onto most of their key players but a few examples illustrate that compared to players of the same stature in the league, players like Marian Hossa, Daniel Alfredsson, Radek Bonk and Wade Redden who together made up the four highest salaries on Ottawa in 2002-03 combined equaling \$12.8 million (NHL Salaries, 2002-2003, 2003), could very well look for a substantial pay raise when they become free agents. Ottawa's record over the last four seasons is 180-103-37-14 including the best record in the league this past season (Klein & Reif, 2001; NHL 2001-2002 Standings, 2002; NHL Standings, 2002-2003, 2003). During the 1999-00 season, Ottawa's top four salaries combined equaled \$10.8 million (Kagan, 2001b) but only one belonged to the list that occupied the four highest salaries on the team in 2002-03 and that was Alfredsson (NHL Salaries 2002-2003, 2003). The combined salaries of Alfredsson, Bonk, Redden and Hossa in 1999-00, was a mere \$5.7 million (Kagan, 2001b). Obviously this total has increased substantially over the last four years to \$12.8 million (NHL Salaries, 2002-2003, 2003) and judging by their play on the ice, these guys could be in line for big pay raises once the opportunity arises.

Clearly there is more that goes into negotiating a player's contract than simple statistics however total points and plus-minus rating (minus one if a player is on the ice when a goal is scored against his team and plus one if he is on the ice when his team scores a goal) are two big factors. Over the last three seasons and 224 games, right-winger Daniel Alfredsson amassed a total of 219 points with a plus-minus rating of 29. He made \$4.4 million in 2002-03. On the other hand, Bill Guerin, who now plays for the Dallas Stars, combined 201 points with a plus-minus rating of 11 in 227 games over three years and made \$8.7 million in 2002-03. In the same time, over 233 games, defenseman Wade Redden scored 126 points with a very respectable plus-minus rating of 67. He earned \$3.0 million in 2002-03. Conversely, Colorado defensemen Rob Blake, during 239 games, combined 111 points with a plus-minus rating of 47 and in 2002-03 he earned \$9.3 million. One last comparison looks at Ottawa's centremen Radek Bonk who, over the course of three years and 226 games, collected 183 points and a plus-minus rating of 36 while earning \$3.2 million in 2002-03. Finally, centremen Bobby Holik, who now plays for the New York Rangers after many years with the New Jersey Devils, totaled 139 points with a plus-minus rating of 25 over 225 games. In 2002-03 he earned \$9.6 million (NHLPA.com Player Search, 2003).

So, with very similar statistics over a three-year period, for all intents and purposes, and not taking into consideration player loyalty to their team or other intangible assets, it is apparent that Ottawa's combined top three salaries could possibly go from \$10.6 to \$27.6 million. Although the Senators did sign Wade Redden in the summer of 2003, Daniel Alfredsson will be an unrestricted free agent in July of 2004 (Garrioch, 2003 March 14). Looking at the revenue numbers in Table 10 and taking into account other expenses, aside from player salaries of \$24.1 million, it is obvious that Ottawa could not support three players at \$27.6 million per season. That is almost the total of their whole payroll in 2002-03 (NHL Salaries 2002-2003, 2003).

There is no guarantee the players for Ottawa will receive offers in line with the examples chosen, however, it is almost certain they could increase their current income.

The team does sit at a slight advantage now as they play in a new arena that generates about \$6 to \$10 million more in luxury suite revenue than that of Edmonton or Calgary (Kagan, 2001b). The new owner of the franchise, Eugene Melnyk, also owns the arena therefore additional luxury suite, concession and parking funds is extra revenue that can be put back into the franchise. However, with the current economic system the NHL operates under, and with the still low amount of revenue Ottawa generates compared to large market teams (Kagan, 2001b), there is a slim chance Ottawa could keep all three of their top salaries together while maintaining a financially viable team.

Another team that was competitive from 1999-00 to 2000-01, amassing a record of 79-68-17-9, was the Pittsburgh Penguins (Klein & Reif, 2001; NHL 2001-2002 Standings, 2002; NHL Standings, 2002-2003, 2003). Mario Lemieux, drafted by the Penguins first overall in the 1984 entry draft (NHLPA.com Player Search, 2003), bought the troubled team, who had filed for Chapter 11 Bankruptcy in October of 1998. The owners at the time, Howard Baldwin and Roger Marino, owed 200 creditors approximately \$120 million. They also paid \$6 million per year, more than any other team in the league, to lease out their playing venue from SMG. Lemieux Development paid an estimated \$95 million for the team. Lemieux himself fronted \$25 million for a majority ownership stake in the team while forgiving \$7.5 million in back salary and the other \$70 million came from his investor group. The new lease agreement is also in line with other ones around the league. The Penguins pay \$1 million per season while the lesser, SMG, agreed to invest \$5 million in Lemieux's plan for a stake in ownership plus voting rights on the board (Kagan, 2001b).

As competitive as the team was for two more seasons after Lemieux Development bought the franchise, the 1998-99 operating losses of \$13 million plus combined debt equalling \$38 million in 1999-00 (Kagan, 2001b), caused the Penguins, in part, to trade away their highest salaries, which meant key players. In July of 2001, Pittsburgh traded away, arguably their best player at the time and perhaps the best in the league, Jaromir Jagr, along with Frantisek Kucera, to the Washington Capitals in exchange for Kris Beech, Michal Sivek, Russ Lupaschuk and future considerations (NHLPA.com Player Search, 2003). The only player on any NHL payroll at the beginning of the 2002-03 season was Jaromir Jagr (NHL Salaries, 2002-2003, 2003) and the other four players were not even found in the NHLPA database (NHLPA.com Player Search, 2003). Two years later, from February 9th to March 11th of 2003, Pittsburgh traded away 10 players on their payroll along with two others within the organization and a conditional draft pick (NHL Trade Deadline 2003, 2003) amounting to a total salary of \$11.9 million per year (NHL Salaries, 2002-2003, 2003) in exchange for 12 new players, three draft picks, \$4 million in much needed cash (NHL Trade Deadline 2003, 2003) and a total salary of \$5.8 million per year. Included in the players Pittsburgh traded away were Alexei Kovalev and Janne Laukkanen, who took up two of Pittsburgh's top four salaries. Out of the two salaries at the top of the Penguins' payroll at the end of 2002-03, one belonged to the owner, Lemieux, at \$5.3 million, who, of course, forgave back salary once already. The other, at \$4.0 million, belonged to Martin Straka. Four other players sat at just over \$1.0 million and the total payroll was down to \$25.0 million from \$31.0 million at the beginning of the season (NHL Salaries, 2002-2003, 2003; NHL Trade Deadline 2003, 2003).

Of course, in all its dealings, Pittsburgh received more players in return at cheaper salaries (NHL Salaries, 2002-2003, 2003; NHL Trade Deadline 2003, 2003) however, along with two key players in Jan Hrdina and Alexei Kovalev who accounted for just over 20% of Pittsburgh's goals all year, they gave up a lot of experience; 4,716 man-games in exchange for 1,497 man-games to be exact (NHL Trade Deadline 2003, 2003; NHLPA.com Player Search, 2003). During the midst of all the trades, on February 19th, 2003, Pittsburgh sat tied for 10th spot among 15 teams in their conference (Mackie, 2003, March 7). At the end of the year, after all the transactions, Pittsburgh finished in 14th spot, four points out of last overall, and only managed another four wins in 24 games (NHL Standings, 2002-2003, 2003).

With this tremendous drop in the standings, it is probably no coincidence that Pittsburgh's attendance went from 21st overall on February 1st, 2003 (Matheson, 2003, February 1) to 25th overall by the end of the season (NHL Attendance Leaders, 2003). As was illustrated earlier, fans prefer to watch winning teams, or at least a team they think will have a chance of winning. Mario Lemieux, the owner, has said that his team cannot compete with the current economic system in the NHL (Sullivan, 2003, February 12). And to their credit, general manager Craig Patrick has said the club is in the process of rebuilding with an eye towards the new collective bargaining agreement in 2004. By keeping his payroll young and inexpensive right now, he hopes to be in a better position to compete if and when a new system is in place (Pens rebuilding, Patrick says, 2003, March 13). In saying this, as with other teams described earlier, the economic system did not cause the Penguins to go bankrupt but it makes it hard for them to generate any kind of profit, while staying competitive, in order to pay down their debt.

Over the course of an 82 regular game season, the league shows a significant winning percentage/payroll correlation most years and if the current system is not changed, this phenomenon could worsen leaving Canadian and American small market teams battling for the basement (Sullivan, 2003, April 14) and thus fan support.

Appendix G NHL Large Market versus Small Market

The small markets that most of the Canadian teams play in make it difficult to compete with the rising revenues throughout the league. Edmonton and Calgary play in two of the oldest buildings with few luxury boxes. Skyreach Centre has been renovated twice in the last 10 years and now has 50 luxury suites and 16 skyboxes (Kagan, 2001b), however, the seating capacity has dropped to 16,839 from 17,100. The Pengrowth Saddledome has 72 luxury suites (Kagan, 2001b) with a seating capacity of 17,409. The Flames made \$1.6 million a year from 1998-99 to 2000-01 on their luxury suite sales while the Saddledome kept \$2.4 million each year and the Oilers received \$1 million per year during the same period with Skyreach Centre keeping \$1 million per year. Ottawa's luxury suite revenue has been increasing steadily over the years from \$600,000 in 1998-99 to \$900,000 in 2000-01 (Kagan, 2001b), however, now that Eugene Melnyk owns the arena that number could increase to \$9 million or higher (Kagan, 2001b). The Corel Centre was built in 1996 and Ottawa only sold 75% of the suites in 2000-01 while advertising out of a market slightly larger than that of Edmonton or Calgary. In addition, Pittsburgh only generated \$2.2 million in luxury suite revenue (Kagan, 2001b). The point here is that if Edmonton, Calgary and Pittsburgh were to build huge arenas with over one hundred luxury suites like many of the new arenas across Canada and the US (Kagan, 2001b), the market would probably not supply tenants to fill all the boxes at the same prices. Most of the large markets including New York and Detroit along with Montreal and Toronto receive \$9 to \$12 million in luxury suite revenue and are also able to sell the boxes for two to three times what Edmonton, Calgary, Pittsburgh and Ottawa can (Kagan, 2001b). See Table D2 for a list of all the teams' luxury suite numbers, prices and 2001 revenue.

Local television deals vary across the league depending on what the market allows for with small market teams at the bottom of that list. Toronto and Montreal had healthy local and cable television deals in 2000-01 at \$18.5 million and \$10.5 million respectively. Edmonton and Vancouver were around the league average of \$6.9 million at \$6.5 million and \$6.2 million while Ottawa and Calgary were at the bottom of the list at \$1.5 and \$2 million, however, Calgary had 13 games on local stations with undisclosed revenue and Ottawa six. Buffalo only generated \$3.5 million in cable television deals (Kagan, 2001b). Even sponsorship and signage provided significantly more revenue in 2000-01 for some teams like Dallas, New York and Detroit who received \$12, \$9.4 and \$8.5 million respectively while Pittsburgh, Ottawa, Edmonton and Calgary each received between \$2.5 and \$4 million. Table 10 shows each team's local revenue in 2000-01. So what should be done to stabilize team finances across the NHL? Should the market dictate where these teams will play? If Calgary, Edmonton, Ottawa, Buffalo, Washington and Pittsburgh cannot generate the same revenue as Toronto, New York, Detroit, Colorado, Philadelphia and Dallas, should they be moved to a city that can, even though the fan support is evident (Buffalo and Pittsburgh historically have had good fan support except for this past season; 91% and 94% average capacity respectively over the 14 years previous to 2002-03 (Attendance Figures, 2002))? The answer is no and the recommendations for a stronger league are based on the findings in chapter three as well

on the evidence presented in Appendices H and I concerning the financial and competitive states of the NBA and NFL.

Appendix H Competitive and Financial Issues in the NBA

The average salary in the NBA has steadily risen from \$2.2 million, one year before the lockout in 1997-98 to \$2.9 million in 1999-00, one year after the lockout (Kagan, 2001b) and in 2002-03 it sat at \$4.1 million (Salary Cap for 2003-04 Season Set at \$43.84 Million, 2003). Table 8 outlines team salaries for the NBA over the last three seasons. Even with the large amount of shared revenue combined with an artificial restraint on salaries, the league has not appeared to maintain financial stability or competitive balance. The NBA does not share in local revenues and many disparities between teams continue to exist (playoff income is not included in any revenue figures unless specifically referred to).

In 2000-01, the New York Knicks generated \$159.5 million in revenue and the Vancouver Grizzlies and Charlotte Hornets only brought in \$52.5 and \$57.4 million respectively. While the Grizzlies are now in Memphis and the Hornets in New Orleans, five other teams brought in \$70 million or less and a total of seven teams generated over \$90 million. As outlined in Table 7, 16 teams had a positive cash flow in 2000-01 but 13 teams lost money. The top eight averaged a cash flow of \$23.7 million while the bottom eight lost an average of \$10.3 million. The average between revenues and expenses for the whole league in 2000-01 was \$4.5 million, which is even worse than the NHL's average of \$7 million (Kagan, 2001a, 2001b).

Many of the money losing NBA teams with low revenues outlined in Table 7 maintained attendance above the league average of 86.1% of capacity in 2000-01 and expenses below or close to the league average of \$78.9 million. Included in this list and verified by Tables 7 and 9 are Minnesota, Milwaukee, Dallas, Seattle and San Antonio (Kagan, 2001a). As with most professional sports leagues, the NBA is also performance driven. In 2002-03, the 17 teams with winning records brought in an average attendance of 89.8% of capacity while the 12 teams with losing records generated an attendance of 83.8% of capacity (NBA Attendance, 2003; NBA Standings, 2003). Attendance in the NBA continues to rise but was still lower than the NFL and NHL in 2002-03 (Tables 6, 9 and 12).

Lower overall attendance might very well have to do with the fact that the NBA is still competitively unbalanced. Table 2 illustrates that even with a soft salary cap, through 1990-1996, it was not as balanced as the NFL, which shares vigorously in local revenue. Even after the adjustments to the salary cap in 1999, Table 3 illustrates only one year of competitive balance. Perhaps with the addition of the payroll tax in 2002 (NBA CBA, n.d.), those numbers will eventually improve.

The payroll tax after the 2002-03 season amounted to \$151.2 million (NBA Team Salaries, 2002-03, 2003; Salary Cap for 2003-04 Season Set at \$43.84 Million, 2003), which will be distributed to certain NBA teams based on the discretion of the league. The tax did not seem to increase salaries too much the year after it was instituted as illustrated by Table 3. Table 3 illustrates that teams with higher payrolls win more often, providing a big incentive for at least some teams to lure in bigger stars. It is hard to measure the effects of the tax right now but if the loopholes were ignored and \$151.2 million was spread evenly over the bottom half of the league in terms of revenue for 2000-01, each team would have received an average of \$10.1 million and three of those teams would

have still lost money. Milwaukee would have been in the black by about \$1 million (Kagan, 2001a).

Several teams in the NBA generate much more in local revenue than others and Table 7 illustrates this. The LA Clippers had a profit of \$11.3 million in 2000-01 but their payroll was only \$25.2 million. That was \$24.0 million below the average. Although they only generated an average attendance of 73.1% of capacity, if ticket revenue was increased another 27% to reflect 100% of capacity, it would equal \$33.7 million bringing the profit up to \$20.4 million. Had they tried to build a team with an average payroll, it would have resulted in a \$4 million loss. Another good example is Minnesota, especially since they had good attendance in 2000-01 with average expenses but still lost \$3.8 million even though they were below the average payroll (Kagan, 2001a).

Again, it is hard to judge what kind of effect the latest CBA will have on competitive and financial stability especially since it has only been in place for four years with the luxury tax only in its second year of enforcement. The current results illustrate a league still divided by large and small markets resulting in volatility and so far the payroll tax has not compelled too many teams to change their spending habits.

Appendix I Competitive and Financial Issues in the NFL

The average salary in 1996-97 was \$791,000. It then dropped to \$725,000 in 1997-98 but increased to just under \$1.14 million in 1998-99. In 2002-03 the average salary was up to slightly over \$1.5 million (Kagan, 2002). Table 5 outlines team salaries from 2000 to 2002.

The NFL is a financially stable league (playoff income is not included in any revenue figures unless specifically referred to). In 2000-01, the Arizona Cardinals brought in the least amount of revenue at \$98.6 million while the Washington Redskins collected \$158.9 million, however, those represent the two extremes. In 2002-03, the figures jumped to \$111.8 million and \$167.4 million respectively. As outlined in Table 4, revenues in the NFL are generally higher than expenses and the average between the two for the whole league in 2000-01 was almost \$20 million. This is significantly higher than the NHL's difference outlined in Table 10, which is only \$6.8 million. In fact, only the Seattle Seahawks have lost money in more than one fiscal year since 1998 and judging by Tables 4 and 6, that was probably due to excessively high expenses and lower than average attendance. From 1999-00 to 2001-02, they lost a total of \$17.4 million, however, their cash flow was \$8.1 million in 2002-03. In addition, only Green Bay, Indianapolis, New Orleans, Oakland and Philadelphia also lost money in the same time, however, only during one fiscal year each for an accumulated total of \$10.3 million. The rest of the league has remained in the black (Kagan, 2002).

The financial disparities between NFL teams are fewer and less in magnitude than those in the NHL. Only 7 teams maintained a spot in the top 15 places in terms of revenue generation five years straight from 1998-99 to 2002-03 while 9 maintained a position in the bottom 16. The NHL saw 11 teams in each of those positions from 1998-99 to 2000-01. Average cash flow for the top eight teams in 2000-01 was \$31.1 million and \$7.1 million for the bottom eight (Kagan, 2002). During the same year, the NHL saw the bottom eight teams lose \$5.4 million on average while the top eight cleared \$21.9 million (Kagan, 2001b).

As with the NHL and the NBA, fans prefer to watch a winning, or, at least, competitive team. Out of the 19 teams in the NFL that had at least a .500 record in 2002, the average attendance was 97.8% whereas the thirteen teams that had losing records only saw, on average, 89.8% of their venues filled (NFL Attendance, 2003; NFL Standings, 1997-2002, 2003). However, even a 90% capacity rating is respectable when compared to sports venues around North America. As indicated in Table 6, attendance in the NFL is steadily on the rise. In fact, in each of the last three years, only seven teams or less have not filled their stadium to 90% of capacity. Arizona seems to consistently draw small crowds, which is a good reason why they have the lowest revenue intake. The rest of the team's attendance varies usually depending on how well they are doing however the league is very competitively balanced and no team really sees a lag in attendance for a sustained period of time.

Because the NFL has such a huge equally distributed television contract and a 60-40-gate receipt split (after 15% is deducted from home gate receipts for administration purposes) both combined with a hard salary cap, no team really has an opportunity to stock their team with expensive talent. Table 5 indicates that the average salary in 2000-

01 was \$68.1 million while Table 4 shows that each team was guaranteed \$74.5 million in shared merchandising, expansion and media revenues. In 2002-03, those numbers respectively jumped to \$86.8 million and \$87.7 million. Most teams in the NFL can stock their rosters without even selling a ticket (Kagan, 2002)!

Tables 2 and 3 illustrate there is little correlation between winning percentage and payroll like there is in the NHL or the NBA. There is a hard salary cap in the NFL, however, some teams do not reach the cap and certain loopholes allow some to exceed it creating a fluctuation in payrolls. It is interesting to note that in three of the four years before the salary cap was instituted and the free agency rules relaxed (Table 2) (1990-1993), the NFL showed a significant correlation between payroll and winning percentage. However, since the amendments, and in eight out of nine years (Tables 2 and 3), there has been no significant correlation between payroll and winning percentage.

Because of all the shared revenue the NFL enjoys, there are very few problems in the area of franchise viability. Table 4 outlines NFL gate revenue by team. In 2000-01, with the exception of a few teams at the top and bottom, most of the combined revenues fluctuated around \$20 to \$25 million. Even luxury suite revenue did not show a significantly uneven distribution between small and large market teams. Small markets like Baltimore, Buffalo, Kansas City, Green Bay and Indianapolis had luxury suite revenue in the top half of the league in 2000-01 while places like New York, Philadelphia and Chicago were in the bottom half. Building agreements and ownership arrangements dictate some of the revenue. However, where some teams lose out in places like luxury suite revenue, they make up for in advertising or local media and the figures in Table 4 indicate that as a whole the small markets are alive and well (Kagan, 2002) based mostly on the windfall of the healthy revenue sharing arrangement.

Appendix J 1967 Concessions and 1975 CBA

The NHLPA was recognized in June of 1967. The first set of concessions gained by the union did not amount to much. Minimum wage was boosted to \$10,000 however only one player at the time was actually making less than \$10,000 and the season went from 70 to 74 games with another playoff round and no remuneration for the players. Meal allowances went up \$5 a day and the players got paid for some exhibition games. But while the new NBC television contract and increased attendance revenue went from \$892,000 to \$2.2 million, the players' share of league wide revenue fell 1.4% and shortly after expansion, from 1969 to 1971, the league's revenue increased 15.6% but the players' salaries and benefits only went up 9%. Further agreements were reached through collective bargaining on other issues and the first written CBA was published in 1975 however the owners, as usual, complained about their financial troubles and the majority of the new agreement was just a rubber-stamping of the decisions handed down by the US Department of Justice along with the concessions forced upon the NHL by the rival WHA (Cruise & Griffiths, 1991; Stein, 1997).

Appendix K The 1982 and 1986 CBAs

In 1981, the owners were against total free agency because they wanted to protect their substantial player development investment and predicted that total free agency would spark salary increases that would aggravate the owners' financial plight. Many of them argued that they were losing money. The players on the other hand, argued that the old system of equalization whereby the acquiring team had to give up a player on their roster discouraged free agency and kept salaries depressed. The draft age had been reduced to 18 resulting in an influx of players thereby reducing the average length of an NHL career by three or four years. The players thought if free agency were liberalized it would offset this trend by increasing salaries during time spent in the league (Berry et al., 1986, p. 224-226).

In the end though, the players took the owners' words that teams were losing money and for fear of bankrupting any of them agreed to keep the free agency rules restrictive otherwise the supply of players might rise which would really depress salaries. The final agreement reached on August 17, 1982 was for five years. Players could become unrestricted free agents at age 33 otherwise compensation was required. The old system of equalization remained in effect for players under the age of 24 or with less than five years of pro experience. All other free agents were compensated for in the form of draft picks on a sliding salary scale. With free agents making less than \$85,000 or inside the boundaries of the old system of equalization, a right of first refusal existed whereby the previous club could retain the free agent by matching the offer of the new team (Berry et al., 1986, p. 226-227).

With this new system, player movement was still quite restrictive and during the life of the 1982 agreement, no free agents changed clubs in situations in which they were subject to significant compensation from the signing club, which made it a leading topic of the players' union during talks about a new CBA in 1986. The sliding salary scale was adjusted slightly but really only reflected the rising pay levels. Now, if a player made under \$110,000, no compensation was required. If a team lacked a qualified draft pick as compensation, a cash penalty was required and the age for unrestricted free agency went from 33 to 31 (Staudohar, 1996, pp. 156-157).

The fact that the players received relatively little freedom in their unrestricted movement among other concessions had a lot to do with their negotiating strategy in the early years of the union and it cost them dearly. Essentially, they elected to trade freedom of movement, equitable grievance procedures, arbitration reform, a cut of broadcast revenue and an improvement in the playoff split, which were all advances made by players associations in other major league sports, for meagre improvements in the pension plan and medical benefits (Cruise & Griffiths, 1991).

The strategy was flawed, for one, because the players did not control or have any input into the pension fund and the owners did not disclose any more information than they had to which amounted to a yearly audit and proper contributions. Up until 1986, the NHLPA gave up the chance for free movement of players in exchange for enhancements to pension benefits however the benefits came from the surplus in the fund, which was not from the owners, but from the players' own deposits in the 50s and 60s. Even in 1986 when Eagleson negotiated a \$250,000 retirement bonus to be paid at age 55 to players

with 400 or more games to their credit, the owners simply allocated a percentage of the surplus already in the fund to pay for it (Cruise & Griffiths, 1991 p. 266-267).

Secondly, the NHLPA never took into consideration the future value of an \$8 million and \$12 million pension increase in 1979 and 1986 respectively. 30 years down the road, they would be worth rather less than their face value. In addition, in order to pay for the \$250,000 retirement bonus, only \$16,871 had to be set-aside in 1986. If 20% of the players then in the NHL were to make the magic 400-game mark, the league would have had to set aside only \$1.36 million to cover the commitment when the first players claimed their bonus in approximately 30 years time (Cruise & Griffiths, 1991). The problem was that most players figured they would play 400 games and be eligible for that \$250,000 at age 55 so they weren't overly concerned about present income. They did not realize they could have made even more than that with the advent of unrestricted free agency (Houston & Shoalts, 1993, pp. 161-162).

Appendix L The 1992 CBA

With the collective bargaining agreement set to expire in 1991, the union had a new leader in Bob Goodenow. His demands were lengthy and specific. Included were the use of an independent arbitrator to interpret the league's constitution and bylaws instead of the president, all amendments be negotiated with the NHLPA, payment to the players of 60% of the revenues from the first four playoff games of each series, increased insurance and pension benefits (Stein, 1997) including a pro-rated amount out of the lump sum of \$250,000 for players that did not reach the 400-game mark, a reduction in the entry draft system by six rounds and a restructuring of the free agency bylaws to reduce equalization by compensation (Staudohar, 1996, pp. 150-151).

Ziegler countered with three controversial offers. As a disincentive to a strike and to reduce the demand for additional playoff revenue, he suggested that instead of the players being paid all of their annual salary before the playoffs commenced, on agreement with the club, he wanted players paid twice a month throughout the calendar year. Second, as trading card revenues were sure to increase from a meagre \$100,000 per year, the league requested that the players sell their photographs to trading card companies during 1991-92. The standard players contract said that clubs had exclusive rights to player photographs but with the limited revenue it was generating, the club had overlooked the fact that Eagleson had sold the rights to various companies. After 1991-92, the league was going to want some of the anticipated multi-million dollar revenue. The owners also wanted each team to reduce their roster by one skater thereby eliminating a salary (Stein, 1997).

Goodenow would not give in to any of Ziegler's requests, which pleased the players. He did not listen to Ziegler and did not agree that collective bargaining required a give and take on both sides. Goodenow only wanted what he thought were overdue gains for the players. He would not listen to the owners' alleged financial predicaments, the meetings went nowhere and for the first time, the NHL's CBA expired without a new one in place (Stein, 1997).

During 1991-92, both sides agreed to continue under the rules of the old CBA without a work stoppage however on April 1, 1992, the players went on strike. Most of the amendments had been worked out except for the issues of an independent arbitrator along with the trading card fiasco. Goodenow did not want to give up this primary source of revenue for the NHLPA (Stein, 1997).

By this point, NHL player salaries had risen substantially, which is why it was difficult for most to understand why the NHL players would want to strike. Ray Ferraro, a player at the time, brought things into perspective by suggesting that its previous leader misrepresented the union so maybe a strike was necessary (Fischler, 1995, p. 30).

Of course the owners were not used to this backlash from the players and some of the old-line conservative like Chicago owner, Bill Wirtz, Boston owner, Jeremy Jacobs, and New Jersey owner, John McMullen, were willing to go head to head with Goodenow and sacrifice the season however others wanted to salvage the playoffs (Fischler, 1995, pp. 35-36).

Finally, Ziegler made a statement to the players and it was clear the majority of the owners wanted the playoffs to commence, "if it will make the players happy, if it will

be the thing that gets them back to what they do best, playing the game, I will call it a surrender. I will call it an unconditional surrender. All they have to do is go back and play hockey.” (Fischler, 1995 p. 34)

Negotiations had stalled for six days and following his statement, Ziegler sent a proposal to Goodenow agreeing to give up the owners’ stance on trading cards. The union had to accept the offer within 48 hours or the season would end. Goodenow agreed to the offer but requested some other amendments (Stein, 1997). In the end the owners received four extra games however the players received the revenue from two of them. The contract would expire in two years and the draft was reduced by one round. The players’ share of trading card revenue remained at 68% and the union was allowed input into choice of arbitrators. Eligibility for unrestricted free agency went from 31 to 30 and other compensation rules were adjusted slightly in the players’ favour however the relatively generous compensation to teams that lost free agents aged 25-29 continued to impede player movement. In addition, their playoff pool was increased by about 100% over two years (Staudohar, 1996, pp. 151, 157).

Appendix M Salary Arbitration and Free Agency in MLB

With Marvin Miller at the helm, the players were able to retain solidarity which perpetuated their growing power thereby giving them the ability to challenge the existing practices of the owners they felt conflicted with their own interests. Two of these practices included misrepresentation in salary disputes and the continuation of the reserve clause.

Miller negotiated salary arbitration in 1973, which stipulated that if a player had a salary dispute with his club, an impartial arbitrator would decide a binding figure. It prevented the suppression of salaries as well as a bias commissioner, who was working for the owners, from deciding what a player should make (Berry et al., 1986, p. 58; Miller, 1991). The method, which continues to be used, limits the arbitrator to choose only one salary or the other and he or she is not permitted to exercise any middle ground (Berry et al., 1986, p. 58). Players who have accumulated three or more years of service are eligible for salary arbitration (MLB CBA, n.d.). This practice, along with the advent of free agency, has allowed players to make significant gains in terms of compensation.

Arguably, Miller's greatest feat was his role in the abolishment of the reserve clause, which led to unrestricted free agency. Miller knew that the owners themselves were not all that confident in the reserve clause. Evidently, they had a binding right to resign a player without his signature but even so it wasn't until 1972 that a player actually played in a regular season game without signing a contract. That was Ted Simmons. It seemed as though the owners were unsure of what would happen should they actually use the reserve clause regularly and figured that unsigned contracts could not be renewed more than once. Before long a player, in his own best interest, could complete a season under a renewed contract and then, since he did not have a contractual connection to any club, declare free agency (Miller, 1991).

The real test came when two pitchers, Andy Messersmith of the Dodgers and Dave McNally of the Expos, refused to sign contracts for the 1975 season. Messersmith wanted a no-trade provision or at least the right to approve a trade and McNally was about to retire but even so was still the property of Montreal for life as that was the case under the reserve clause. Their clubs renewed their 1974 contracts themselves. They had the right to do so under the renewal clause, which stated that a player's contract, could be renewed for one additional year (Berry et al., 1986, p. 56; Miller, 1991).

However, at the end of the 1975 season, the commissioner declined free agency status to Messersmith, who the union used as their test case. The two sides could not negotiate a settlement so the matter went to arbitration. Each side made their case for three days. The arbitrator, Peter Seitz, decided that nothing in the reserve clause stipulated that a contract could be renewed for more than one year. Messersmith was awarded free agency, which changed the institutional rule that kept baseball players exploited. The owners appealed the decision to the federal district court in Kansas City but lost and decided not to appeal to the US Supreme Court. Messersmith was officially a free agent and essentially, so were hundreds of other players who did not sign contracts for the 1976 season (Berry et al., 1986, p. 56-57; Miller, 1991).

Shortly after the Messersmith decision, the owners locked the players out of spring training. They wanted to negate the impact of the decision meaning that no players would

become free agents whether or not they signed contracts for 1976. The owners were mad that almost 350 players opted for free agency. They proposed that players be allowed to become free agents after 9 years of service and only if the existing club refused to pay them \$30,000 per year. In addition, the new club would have to give the old club compensation. This would pretty much negate free agency and was not a realistic way to negotiate a player's salary (Miller, 1991).

The players were willing to negotiate free agency but were not prepared to give it up, which is essentially what the owners proposal illustrated. The 1976 lockout ended 17 days in when it was apparent that the players were uniting and not dissenting and negotiations commenced for present and future free agency eligibility requirements (Miller, 1991).

Miller did not believe it was in the best interests of the players to all be free agents. This would create a huge supply and surely keep salaries down which is why another provision in the new CBA had to be a prohibition against collusion. There was no precedent to go on as no professional sports league ever had free agency. Miller's feeling suggested four to six years with a preference for five. After the owners' committee suggested six, Miller proposed five. He then agreed on six only if a player with five years of service could demand a trade while designating up to six clubs of which he would not accept a trade to, as well as the right to free agency should his team not trade him by March 15. Free agency was upon baseball (Miller, 1991).

The owners tried to combat free agency in 1980-81 by refusing to bargain in good faith with the MLBPA. The owners would not provide evidence of the money they claimed to be losing and instead instituted an equalization plan without the authorization of the union. A long strike was averted and the 1980 season played on with the agreement to negotiate free agency over the following year. It was not solved though and the players had no choice but to strike in June of 1981 otherwise the owners compensation plan would take effect (Miller, 1991).

Again, the players would not back down and would continue to fight for the principle of something that took 100 years of punishment and hardship to win. Miller and the union were not simply trying to turn the players into millionaires. They just wanted a fair working environment whereby the owners could not maximize profits by only paying the players what they absolutely had to. The owners' compensation scheme and the way they went about it angered Miller and he wanted complete and unconditional surrender from them (Miller, 1991).

The strike lasted about 50 days and the owners gave in. Miller's proposal mandated that the owner's compensation scheme, which did not in fact go into effect, be stricken from the basic agreement. The compensation negotiated saw a "pooled" plan instead whereby teams losing free agents would draw compensation from a pool of funds created by the conglomerate of franchises (Miller, 1991).

In the 1980s, the owners decided to restrict the movement of players on their own by acting in collusion with one another and agreeing to limit the number of free agent signings to a bare minimum. Arguably, the main purpose was to curb the actions of New York Yankees owner George Steinbrenner, who was said to spur the rise in salaries with his signing of Catfish Hunter to a huge contract in 1975 which included a \$1 million signing bonus, \$150,000 salary per year for five years, life insurance benefits worth \$1 million and a substantial amount of deferred compensation (Berry et al., 1986, p. 54). The

players filed two grievances throughout the decade. In the end the owners were forced to pay players disadvantaged by the collusion \$280 million while some players were also offered the chance to become free agents again (Miller, 1991).

The players maintained their strong stance against restricted free agency throughout the 1990s of which the owners locked the players out in 1990 and the players struck in 1994-95. The league constantly tried to restrict salary arbitration and abolish free agency. They wanted a salary cap in the form of a fixed scale when they had been working under individual negotiations for 100 years because all of a sudden the current system was not working for them. However the union stuck to their guns. Miller had stepped down by 1990 but acted in the capacity of a consultant to the union during the lockout (Miller, 1991).

Appendix N Conflict Among Owners

Ed Snider, the owner of the Philadelphia Flyers, referred to the signings of Wayne Gretzky and Scott Stevens mentioned earlier and suggested that some owners had opened the floodgates and the NHL had gone the way of their brothers in baseball and basketball in terms of overspending (Fischler, 1995, p. 31). His general manager, Bob Clarke, essentially said the same thing after the lockout of 1994-95 and added the league would be alright if the owners were smart and tough enough to hold the line on salaries until revenues increased (Fischler, 1995, p. 164).

The owner of the Boston Bruins, Jeremy Jacobs and his general manager, Harry Sinden, try to follow the same philosophy. Jacobs wants to win and he'll spend whatever it takes however he spends for value. If a certain player is needed to get the job done, he'll let the general manager sign him. Therefore, unnecessarily expensive signings by his other general managers angers Harry Sinden (Fischler, 1995, p. 158). One deal that particularly annoyed him was Vancouver's decision to sign defenceman Jeff Brown to a four-year, \$7.8 million contract, "Although the Canucks had a lousy year, they ended up getting to the Stanley Cup finals (1994), they didn't make any money doing it, but now they've signed a player for more money than Ray Bourque who's won 15 All-Star berths. How can I have sympathy any more? I give up." (Fischler, 1995, p. 160) He also mentioned how he was displeased with the New York Rangers and the St. Louis Blues in terms of their high spending habits (Fischler, 1995, p. 160).

But while both the owners of the Flyers and Bruins talk about controlling salaries, they were both guilty of spending quite lavishly themselves. Ed Snider paid \$15 million for the rights to Eric Lindros (Fischler, 1995, p. 31) and the Boston Bruins signed former Pittsburgh Penguin Kevin Stevens to an expensive deal shortly after Pittsburgh won the Stanley Cup (Matheson, 2003, February 18). Boston also signed rookie Joe Thornton to an incentive-laden contract that drove his salary up to an unprecedented level, especially for rookies (Friedman, 2003, February 1). To Boston's credit though and Philadelphia for that matter, Howard Baldwin, who use to own the Penguins did credit Sinden and Jacobs for their ability to hold the line on players salaries. Of course that was right before they signed Stevens (Matheson, 2003, February 18).

Appendix O Self-Serving Interests

The cohesion within the board of governors was quite low in 1991, one year before the strike, and the owners were still a fractious bunch, undermined by internecine squabbles (Cruise & Griffiths, 1991). Jim Lites, the vice-president of the Detroit Red Wings admitted that self-interest was the biggest problem faced by hockey. The league was creeping along powered by 21 different approaches, all of who were paying lip service to the league's best interest. Lites said, "They are being deceitful if they say they have the League's best interest at heart. To a degree they do, but they are really worried about their own ass first. We are no different in that regard. We have the League's interest first – after our own!" (Cruise & Griffiths, 1991 p. 327)

It is apparent that even the owners with money who vow to hold a line on salaries have trouble following their own philosophy and Gary Bettman has said that is the fault of the system which causes 30 different owners to spend in pursuit of a championship (Friedman, 2003, February 1). However after the 1994 lockout of which a solution to introduce substantial revenue sharing was not met, one owner said, "We are united by our problems and divided by our solutions." (Sheehan, 1996, p. 127) The owners can only agree that players should be paid less and not how to split revenues to ensure the viability of small market teams (Sheehan, 1996, pp. 125-127).

Appendix P Television – An Early Dependency

In the 1950s, hockey was one of the first pro sports to be televised and was fairly even with other sports in terms of revenue (Cruise & Griffiths, 1991) however the popularity waned. When a local television station asked the Boston Bruins to give up five seats to accommodate a better camera angle, the team flatly refused and told the station they were in the business of selling seats and not helping out TV (Cruise & Griffiths, 1991; Houston, 2003, January 20). The networks also wanted the NHL to cooperate in scheduling and marketing but the NHL considered those suggestions to be meddling and did not want the networks telling them how to run their sport (Berry et al., 1986, p. 223).

After the expansion of 1967, the NHL did little more than they had done before to actually cater to television (Cruise & Griffiths, 1991) and only received a paltry \$2 million a year from CBS compared to the NFL's \$14 million in 1965. Three years later, NBC bought the rights for slightly more however ratings remained consistently weak (Cruise & Griffiths, 1991; Stein, 1997). Weekly television coverage was dropped in 1974 due to a huge fall in the ratings (Radar, 1984, p. 145).

Infrequent scoring during the same era due to expansion made the game less appealing to the novice viewer especially. Because the league doubled in size in 1967 with an additional nine teams in the 1970s, the dilution of talent became apparent. As a result, without the ability to score, many teams resorted to a defensive style of play designed to neutralize and slow down the quick and talented players. Checking and toughness became more important than offensive skills but the league did not want to widen the gap any more between the strong and weak teams so they took a passive stance to violence and did little to give the offence more weapons (Radar, 1984, p. 145).

Even when the league could have increased it following by marketing superstar Wayne Gretzky or the New York Islanders dynasty of the early 1980s to all of the US, they did not take advantage (Houston, 2003, January 20). Instead, John Ziegler, probably acting on the information of his vice-president in charge of television, Skip Prince, who suggested that hockey was merely an amalgam of local markets working in concert to have a league and from a broadcasting standpoint was little more than a loose confederation with limited US interest, recommended a league policy of focusing on cable outlets and local markets directed at pursuing the attention of viewers who already had a keen interest in the sport (Gorman & Calhoun, 1994, pp. 75-76; Houston, 2003, January 20; Staudohar, 1996, p. 137). In the late 1980s, the NHL lost out on a contract with ESPN when they refused to lift local blackouts or provide exclusive rights to games covered by the station (Staudohar, 1996, p. 138).

The league received a decent television package going from \$5 million a year with Sportschannel in 1991-92 (Stein, 1997) to about \$16 million a year with ESPN, beginning in 1992 and eventually extended until 1999, on the agreement that local blackouts would be lifted for the last two rounds of the playoffs and ESPN would have exclusive rights to certain games (Staudohar, 1996, p. 138).

Appendix Q Television – A Later Dependency

Gary Bettman took over as commissioner one year after Gil Stein negotiated the contract with ESPN and his leadership accelerated the change to promote hockey on national television. Bettman wanted to get more exposure for the NHL on TV in order to build a fan base. It was his understanding that the knowledgeable hockey fan had little trouble watching the game on TV because they were familiar with its rules and strategy. He wanted the game to become user-friendly for the casual fan, which would readily expand the fan base and audience (Gorman & Calhoun, 1994 p. 77). He was particularly interested in marketing the marquee players, something suggested for years by several people in the hockey world (Cruise & Griffiths, 1991; Fischler, 1995, p. 55).

In 1995, the commissioner reached a deal with FOX whereby the NHL would receive \$155 million over five years. Camera angles were added making it easier to see the puck and rules were instituted to decrease fighting. Things looked promising and shared revenue increased dramatically (Staudohar, 1996, pp. 138-139).

Three years later, the NHL under Bettman signed a five-year deal with the Walt Disney Company that paid the league \$600 million for national television rights. ESPN would retain all cable rights for \$350 million and ABC received the broadcast rights for \$250 million (Kagan, 2001b). The fact that Disney owns a team probably accelerated this deal however another aspect might have been the NHL's involvement in the 1998 Olympics. NHL president Gil Stein came up with the idea shortly before the 1994 Winter Games. Realizing that competitive players in the NHL come from all over the globe, showcasing them in a world-class event would create an atmosphere of parity and perhaps turn the American audience onto the sport. The logistics were too complicated to allow the players compete in 1994 however they did in 1998 (Stein, 1997) and a blockbuster national television deal was reached the following summer.

Even with these national television deals, critics still complain about the fact that players in the NHL do not get expelled for fighting. As a result of this factor combined with others, the league has yet to expand its viewer base to attract the casual viewer like the NFL has done, and that is what advertisers are really looking for (Houston, 2003, January 20).

25 years after Hockey Night in Canada's Ralph Mellanby suggested it in 1978, the NHL has finally sped up the game with quicker line changes and they have also been trying to crack down on the obstructive, defensive play by calling more penalties away from the puck particularly in the neutral zone (Houston, 2003, January 20). According to Bettman, the fans are telling the league they like what they see and he thinks the game does not require any radical changes (Friedman, 2003, February 1). However, in terms of national American broadcast revenue, hockey still remains sixth behind the other three major sports leagues, NASCAR and the PGA. In addition, the Stanley Cup final usually only attracts about 3.3 million US households while the NBA final and the World Series attract over 10 million and the Superbowl, close to 40 million (Houston, 2003, January 20).

Appendix R TV and Monday Night Football

In order to attract a larger following and boost shared revenue even more, Rozelle worked with television networks to utilize the internal resources of NFL football more efficiently and increase the technical quality of the game.

After the 1958 championship game that generated countrywide excitement after going into overtime, the NFL discovered they had a genuine national TV audience and Rozelle would use this as a major focus for a financially successful league. Along with Bill McPhail, the president of CBS Sports, Rozelle went around to different television affiliates throughout league cities in 1960-61 and got to know the big stations. Pete created friendships with the affiliates and did things to help sell them on NFL broadcasts. A lot of people throughout the whole country did not know about the NFL and Rozelle knew that television broadcasts would change this in a hurry (Harris, 1986).

ABC accepted Rozelle's offer to broadcast NFL Football in prime time, Monday nights (Chandler, 1991; Harris, 1986), and paid the NFL \$8.5 million/year for the first four years. The station had little to lose and in return Rozelle convinced the league to schedule the best match ups for Monday nights. All the commercial slots were sold for \$65,000/minute by May of 1970 and the first game was broadcasted in the fall of 1970. The station sold the broadcast by using two production units and focusing on the human drama inherent in the game. They personalized it and it was a hit. They were even able to convince advertisers that women did not mind football on a Monday night by way of an interview study directed at females. Ratings continued to increase throughout the 1970s and so did commercial slot prices. In 1974, ABC charged \$100,000/minute and by 1982 that price increased to \$185,000 for 30 seconds (Chandler, 1991). Ratings were down slightly throughout the 1980s but ABC continued with the show and in 1989, a 30-second advertising time slot time cost between \$225,000 and \$250,000 (Chandler, 1991). Monday Night Football made the NFL accessible to millions who had never really cared about or understood the game (Chandler, 1991; Harris, 1986). Aspects of the sport such as manliness, discipline, complexity and athleticism were heightened so the audience could become aware of the delicate intricacies apparent in Football. The public reveres football and that equals viewer-ship (Chandler, 1991), which equals revenue and since it's nationally televised, it equals more shared revenue.

Appendix S The NBA's External Market

In the mid-1950s, with the birth of TV, broadcasting became a very important source of revenue for professional basketball teams. Compared to football and baseball, the game was not particularly adept to radio broadcast as the play is too quick and continuous however television improved the output and subsequently technical quality of the game for fans (Noll, 1991).

The league also made an early commitment to constantly improve the attraction of the sport to fans. In its early years, a 24-second shot clock was introduced to speed up the game. The three-point shot was brought over from the ABA and since then shorter time-outs have been introduced along with tougher officiating to reduce the violence. The NBA figures that almost everything except the 10-foot hoop is untouchable and continues to look for ways to improve the attraction of the sport (Rifkin, 1997).

The league also works with the networks by participating in weekly meetings aimed at improving the telecasts. They provide input to the stations on everything from what players to feature on NBC's weekly "Inside Stuff" to new and different camera angles for the games (Rifkin, 1997).

As a result, national television broadcasts grew with local broadcasts. The NBA negotiated league-wide contracts with CBS of \$39 million in 1986-87 and \$47.5 million in 1989-90. In addition, Turner Broadcasting paid the league \$12.5 million in 1986-87 and 1987-88 (Noll, 1991). By 2002-03 that number had jumped to \$766 million for all national television revenue (Houston, 2003, January 20).

David Stern was the founder of NBA Properties, the league's licensing division. He also established a trading card relationship early on, which has since reached out to four major trading card companies (Rifkin, 1997).

David Stern also knew that if his star basketball players were showcased in the world's largest sporting event, the Olympics, that would set the stage for worldwide recognition of the NBA. With the growing number of players coming into the NBA from outside the US, Stern's goal is to raise international competition to the point that three or four nations will send teams to the Olympics entirely composed of NBA players (Rifkin, 1997).

The NBA no longer depends on only its patrons that attend the games to generate revenue and keep the league healthy. They have opened up their market to literally include the whole world. David Stern sells the league worldwide (Rifkin, 1997).

The league now has offices in Geneva, Hong Kong, London, Melbourne, Mexico City, Latin America, Paris, Tokyo and Toronto. This gives the NBA a better record of media and television placement along with retailers and just a greater overall presence. NBA games are broadcasted in 180 countries and recognized all over the world (Rifkin, 1997). This kind of exposure brings in league revenue to help the whole organization remain financially and competitively viable.

The league also pushes itself through joint efforts with sponsors like McDonald's. Top teams from around the world took part in the McDonald's Championship in Paris in 1997 (Rifkin, 1997). This continued exposure to a worldwide market creates a huge

customer base for NBA licensed apparel of which the league generates revenue to share among all the teams.

Appendix T Economic Theory on Salaries

Quirk and Fort (1992, p. 216-217) explain that a player's MRP (marginal revenue product) is the most a team will pay a player because paying a player more than this will decrease team profits while anything less than MRP adds profit to the team. But the lowest salary a player is willing to accept is his reservation wage, which represents the next-best employment opportunity (taking into account locational and other intangibles). The final figure lies somewhere in between the MRP and the reservation wage and depends on a number of considerations such as the uniqueness of the player's skills compared to the supply of similar players available to the owner and where the negotiating rights for players and owners lie on the continuum of complete unrestricted free agency to the reserve clause system.

However, some owners of professional sports teams are in it for the pure satisfaction of winning and will work to achieve that goal at any cost. They take a "fun and games" approach to ownership having already generated a healthy income through other enterprises. Generally speaking though, it is best to assume that the majority of owners are motivated by bottom-line considerations, no matter how wealthy they are. Even the true hobbyists will pay the maximum to put together a solid team while still yielding a small profit (Quirk & Fort, 1999, pp. 114-115).

Using Kagan's (2001b) data from the season's 1998-99 to 2000-01, it is apparent that some of the wealthiest and most competitive NHL owners still retain some sort of profit from their hockey teams. Michael Ilitch, the owner of the Red Wings and George and Gordon Gund, the previous owner of the Sharks were all on the Forbes 1997 list meaning they were each worth at least \$600 million (Quirk & Fort, 1999, pp. 95-96). Gil Stein (1997), the former president of the NHL has suggested that both Ilitch and the Gunds were quite competitive and would do what it took to bring their respective teams the Stanley Cup. But as competitive and wealthy as these men and their teams are, they both maintained profits over the years 1998-2001. Ilitch and his Red Wings averaged a cash flow of \$7.5 million and the Gunds, a cash flow of \$3.1 million (Kagan, 2001b).

The Rangers, owned by media giant Madison Square Gardens, continued to spend in pursuit of a championship (Stein, 1997) but with their high revenues from 1998-2001 still maintained an average cash flow of \$6.4 million (Kagan, 2001b). And Jeremy Jacobs was on the Forbes 400 list in 1990, had an estimated worth of \$500 million (Quirk & Fort, 1992, p. 40), owns the Boston Bruins and yet maintained a steady cash flow over the same three years averaging \$10.6 million (Kagan, 2001b).

Appendix U NFL Strikes of 1982 and 1987

Political dissensus among the players arose in 1982. Because the nominal factor of NFL salaries had only risen by a factor of two since 1970 compared to other professional sports leagues, like MLB, which had risen by a factor of five, the National Football Players Association (NFLPA) believed that the payment schedule in force at the time was unfair to the players and that the owners were acting in collusion. Since league revenue had been increasing dramatically, they demanded 55% of the gross revenues earned by the league so they themselves could set a salary schedule for the players based on experience and other criteria (Ahlburg & Dworkin, 1991).

The owners did not agree with the NFLPA and as a result, the players called a strike that lasted 57 days thereby canceling seven weeks of the 1982 season. The owners would not admit to collusion and were insistent that that player salaries had always been set through individual negotiations. The chief negotiator for the NFL Management Council said that giving up a percentage of the gross revenue is the same as giving up control which is a concept alien to America and the owners were not about to give into the players request for a defined percentage of the gross revenue (Ahlburg & Dworkin, 1991).

The NFLPA lacked solidarity and could not mobilize enough support for their demand. The players remained concerned for the following five years over their relatively low salaries, which averaged \$203,000 in 1987, half that of baseball and basketball players. This was up from years previous mainly due to the now-defunct United States Football League, a rival to the NFL at the time resulting in a bidding war for players. However the players wanted more from the owners. They decided to concentrate on free agency in 1987 negotiations hoping that freer movement among teams would increase their bargaining power causing salaries to rise (Ahlburg & Dworkin, 1991).

However the owners agreed to make minor modifications to the free agency system but were against unrestricted free agency. A settlement was not reached and the players struck on September 22, 1987 but only one game was cancelled as replacement players played in place of the regular rosters. The strike was settled and the players returned to their teams 24 days later however without an agreement in place. Instead they filed an antitrust lawsuit against the NFL insisting that the owners were acting in collusion (Ahlburg & Dworkin, 1991).

Appendix V Free Agency and the Salary Cap in the NFL

The NFL's "Plan B" free agency system, which was similar to the reserve system in hockey or baseball, stipulated that teams could protect a majority of their players. The unprotected players could become free agents and change teams without compensation however the protected players were limited to free agency through the old and strict rules of equalization thereby restricting movement especially among the superstars (Dworkin & Posthuma, 2002).

Restricted free agent, Freeman McNeil, and seven other players challenged plan B and won. The court found that the NFL's free agency system was in violation of the antitrust laws. There is no doubt that this decision put pressure on the NFL to conform to certain expectations surrounding the antitrust laws and paved the way for two new features of the 1993 CBA. First, free agency was drastically liberalized and second, a salary cap was imposed (Dworkin & Posthuma, 2002).

Since the agreement in 1993, NFL players with four years experience have been eligible for unrestricted free agency. Teams are allowed to keep one franchise player however his salary has to equal the average of the top five salaries in the league for that position. Players with three years of accrued service can tender offers from other teams however the original team has the right of first refusal. Should the team elect not to match the new team's offer, they are subject to compensation in the form of draft picks (Dworkin & Posthuma, 2002).

Second, a hard salary cap was imposed similar to the NBA's whereby the players receive a maximum of the designated gross revenues for salaries. There are fewer loopholes in the NFL's cap and the percentage changes yearly. Although players have been able to switch teams more freely since 1993, the new teams have to remain conscious of the salary cap concerns (Dworkin & Posthuma, 2002).

Appendix W The NBA Salary Cap

The salary cap was proposed in 1983 and called for players to receive a minimum and maximum of 53% of the gross revenue (Noll, 1991), which was then divided by the number of teams in the league. However, in order to keep a team intact, which was one of the objects behind the cap, teams were able to exceed the maximum in order to sign their own free agents. Teams could also extend the contract of one of their current players for any agreed amount; even it was to put them over the cap during the season covered by the extension. Various rules surrounded each loophole (Gorman & Calhoun, 1994).

After the negotiation of the 1995 CBA the salary cap percentage increased to 55% and would enlarge incrementally to \$32 million during the last year of the contract however many of the loopholes so desired by the players remained intact (Dworkin & Posthuma, 2002).

One of these loopholes was the “Larry Bird exception” (Zimbalist, 2000), which allowed every team to sign one of its own players to any salary regardless of the effect it had on the cap. However salaries were escalating and the league wanted to eliminate the Larry Bird exception. The players did not agree and as a result the owners initiated a lockout on July 1, 1998. The work stoppage lasted until January 6, 1999 when a new agreement was finally reached (Dworkin & Posthuma, 2002).

The NBA managed to convince players to allow for a maximum on individual salaries. This was an unprecedented agreement that no other professional sports union has ever agreed to. However, the players were happy as well because the owners agreed to initially increase the salary cap to 57% of defined gross revenues but it would fall to 55% during the last three years of the agreement (Dworkin & Posthuma, 2002; Zimbalist, 1999). Exceptions to the cap would also benefit midrange players by tying their salaries to years of service in the NBA (Dworkin & Posthuma, 2002).

Maximum salaries were also tied to years of service. Players with less than 10 years of experience could earn no more than \$11 million per year and free agents remaining with their home team could obtain an annual increase of no more than 12%. The Larry Bird exception was retained however maximum increases were set at 12.5% while all other contracts could only be increased by 10%. Even a player with over ten years of experience could receive no more than \$14 million per year (Dworkin & Posthuma, 2002).

What the new agreement really did was to reduce the skewness of the distribution of NBA salaries by distributing some of the income from the highly paid superstars back to the average players. It showed the union’s concern for an equitable allocation of player salaries. A minimum sliding salary scale was instituted whereby rookies would earn no less than \$275,000 per year and a player with 10 or more years of NBA service would make at least \$1 million. Today, more players in the NBA are earning salaries in the area of \$1 or \$2 million while fewer than ever earns less than \$1 million per season (Dworkin & Posthuma, 2002).

Appendix X Luxury Tax and Revenue Sharing in MLB

The owners attempted to mobilize support from the players for a salary cap throughout the 1990s however the solution did not fit the interests of the union and they refused to listen to the league. These acts of solidarity and commitment were a reflection of Miller's leadership throughout his tenure.

Marvin Miller saw the owners as a group of men who could neither control their spending nor work together so they looked to the players for a solution. He believes that revenue sharing between owners and players is feasible however that would mean a real partnership with the union's full involvement in the decisions affecting revenue. Basically, the owners were always more interested in negotiating a CBA whereby the relationship would end once the fixed percentage was negotiated (Dworkin & Posthuma, 2002; Miller, 1991).

Miller blamed the owners for not distributing revenue more evenly. The have maintained their stubbornness throughout the years and refused to share any income with the have-nots. Instead, the owners wanted to punish the players for their inability to maintain a partnership (Miller, 1991).

The CBA of 1990 was negotiated without a salary cap however when it came time for a new CBA in 1994, the owners insisted on it. The players would again not agree to a cost restraint and set an August 12, 1994 strike date. In December of 1994, after the cancellation of the first World Series in 90 years, the owners eventually used the same tactic they did in 1980 and instituted a salary cap, eliminated salary arbitration and introduced a restricted free agency plan without the authorization of the players. Of course the players filed an unfair labour practice suit again. After the general counsel for the National Labour Relations Board (NLRB) sought out and was granted an injunction to reinstate all of the terms of the expired labour agreement until a new one was reached, the players agreed to end the strike and negotiate a new CBA during the 1995 season. However, it was not signed until December of 1996 (Dworkin & Posthuma, 2002).

The union demonstrated once again its solidarity and commitment as the players held onto free agency and salary arbitration however they did give up a slight concession. A payroll tax was introduced which would see any team exceeding a specified payroll pay a certain percentage of their salary costs to a central pool. The funds would then be distributed to the smaller market teams. It was not a lot of money but the concept of revenue sharing and cooperation among franchises was finally addressed (Dworkin & Posthuma, 2002).

The owners have continued to increase cooperation among them. In 1996, the American League split gate receipts on an 80-20 basis whereby the home team kept 80% and the visiting team, 20%. The National League gave \$0.42 off each ticket to the visiting team amounting to a number between 2.4% and 3.8% (Sheehan, 1996). By 2003, the American League was splitting gate receipts on a 60-40 basis and the National League, 95-5 (Naylor, 2003, January 21). In addition, the new revenue sharing plan implemented during the negotiation of the 2002 CBA sees each team contribute 34% of their local revenue to a central pool whereby the money is essentially distributed to the smaller market teams. Smaller markets also receive increased revenue from the central fund

composed of national network television revenue and licensed MLB products (MLB CBA, n.d.)

Finally, the payroll tax introduced during 1995-96 negotiations will continue until 2006 with the threshold increasing from \$117 million in 2003 to \$136.5 million in 2006. Tax rates for teams above the threshold rise incrementally as well starting at 17.5% in 2003 up to a possible 40% in 2006 but only if the team went above the threshold the previous two or three years. Rates in between vary depending on how many times and during what years a team breaks the threshold (MLB CBA, n.d.)

So, while the players did give into a form of luxury tax, it is clear that the owners finally learned how to cooperate and did not just look to the players to solve their problems. Even though Donald Fehr was the executive director of the union for the last two sets of negotiations, the actions Marvin Miller took over the previous thirty years deinstitutionalized the economic system of baseball to one where the owners learned to share among themselves and the players are given the chance to be paid what they are worth.

Appendix Y The Option Clause

Limited free agency was sanctioned by the courts therefore in 1973 the NHL replaced the perpetual reservation system with a one-year option clause in standard player contracts, beginning with the 1974-75 season. Simply put, teams could only hold players for one year after their contracts expired. It gave the player the option of extending his old contract by one year and then becoming a free agent or becoming a free agent immediately before the next season began. If the player and the owner did not exercise the option clause, a new agreement under a standard players' contract was formed using the same terms, however salary was to be determined by an arbitrator. Compensation was still required for free agents though and this significantly restricted movement resulting in lower salaries (Berry et al., 1986; Cruise & Griffiths, 1991).

Appendix Z The Early Attempt to Form a Union

The players were growing tired of their paltry pension fund, lousy benefits and low salaries so in 1956, representatives from all six teams including Ted Lindsay along with Doug Harvey, Bill Gadsby, Gus Mortson, Fernie Flaman and Jimmy Thomson attempted to form a players association. They collected dues from every player except Ted Kennedy and kept it a secret from the owners until February 11, 1957 (Cruise & Griffiths, 1991).

Once the players brought the association to light, the owners were furious. Jack Adams, who ran the Red Wings, asked each player in his locker room if he was behind the union. Most of them just declined to say anything. The owner of the Red Wings, Bruce Norris, traded two of his best players in Ted Lindsay and Glenn Hall to Chicago and claimed it was a “youth movement.” The governor for the Maple Leafs, Conn Smythe, was also mad and treated Jimmy Thomson, the union rep, terribly during 1957 eventually releasing him from the team. Other owners saw it as just another inconvenience. Clarence Campbell threatened to terminate the pension contract if the players stepped out of line. After that, for the most part, it was business as usual in the NHL and the league refused to acknowledge the existence of the association anticipating that it would eventually fall apart once the players realized they would have to hire a couple of lawyers to run it and it would cost some money (Cruise & Griffiths, 1991).

The players demonstrated a backbone at first during the 1957-58 season and did not buckle under the owners’ pressure. They also did not publicly criticize the NHL. The owners, on the other hand, kept the pot boiling. Smythe claimed that the association was a smoke screen to enable a small group of players to get control of the pension fund with no intention of sharing any gains with the other players (Cruise & Griffiths, 1991).

The players also filed an antitrust suit in 1957 claiming that the owners had obtained complete domination and control and dictatorship of hockey since 1926. Two weeks before the Ontario hearing, Conn Smythe, along with Stafford Smythe, Clarence Campbell and the Maple Leaf Gardens, Ltd. solicitor, Ian Johnston, went into the Leafs dressing room. Conn Smythe, outraged again, asked the players if they really wanted to be led by outsiders from New York who were trying to destroy hockey and put them out of jobs. Ian Johnston then read a document outlining that the players were throwing away their right to bargain individually. After two hours, Smythe called for an immediate vote urging the players to withdraw from the association but the players voted 10 to 7 to wait until they could talk to their lawyers before making a decision. Eventually they voted unanimously to be certified by the Ontario Labour Relations Board as a bargaining unit (Cruise & Griffiths, 1991).

However, in Detroit, Jack Adams, by way of a manipulating newspaper article full of non-truths, convinced his team that Ted Lindsay was only looking out for himself and was in fact a cancer on the team never intending to share the benefits of the new association with anyone else. Obviously Lindsay was no longer a member of the team and could not defend his stance. Norris claimed that owning the Red Wings was no more than a hobby and any money made was put right back into the club. The players believed the management and as a result felt ashamed. On November 13, 1957, the Wings withdrew from the association (Cruise & Griffiths, 1991).

Subsequently, The association began to lose money and commitment. Ted Lindsay was about the only player with any fight left in him however he played for Chicago. Jimmy Norris told Lindsay that he wasn't particularly against the association however he had so many other things to worry about that if the whole business with the PA did not end soon, he'd shut down the money losing Blackhawks (Cruise & Griffiths, 1991).

The association lost all its momentum and on February 5, 1958 the players agreed to shut it down in exchange for a measly \$7000 minimum salary, a marginally increased playoff pool and moving expenses for a traded player. The owners continued to keep all TV revenue and said they would tell the players if they started to make money off television. They never did. The players thought they would stay in the loop with management at annual meetings but the owners still wielded the power and even maintained control of the pension fund (Cruise & Griffiths, 1991).

Appendix AA Alan Eagleson

In early 1967, Alan Eagleson traveled to cities around North America to tell professional hockey players how they were being underpaid and mistreated. His youth, aggression and ease in the sports world convinced the players to form an association to protect themselves from the owners' backlash. And since most of the players were already well aware of how they were being mistreated, Eagleson had carte blanche almost immediately to negotiate on their behalf (Cruise & Griffiths, 1991).

The owners put up little resistance this time maintaining that the time had come for a union. Along with the fact that Eagleson wore the hats of a player agent and at times, a representative of management personnel thereby creating obvious conflicts of interest (Stein, 1997), the owners knew this young lawyer was hardly worth getting excited over. After all, the owners were relieved that he did not display the militancy evident of union leaders like Marvin Miller who gathered 16 years of negotiating experience with the United Steelworkers of America before becoming the executive director of the Major League Baseball Players Association (MLBPA) (Cruise & Griffiths, 1991).

Some general managers like Punch Imlach still did not condone the union and tried to scare the players out of it however they eventually all joined the association which was effectively kept together by Eagleson's assistant, Jim Blaney, for the first six months. He managed to keep the players low key and sane while Eagleson only devoted about 20% to 50% of his time to the job of executive director (Cruise & Griffiths, 1991).

Eagleson usually only showed his face to the players during training camp and would relay a quick speech to each team's dressing room then he would disappear until the following year leaving little time to answer any of the players' concerns (Houston & Shoalts, 1993, p. 125). And when he was around, particularly at NHLPA meetings, Eagleson acted as a dictator.

He used to hand pick the player reps to hold offices of president and vice-presidents. The players appeared to be in awe of Eagleson but feared him at the same time (Stein, 1997). He would treat the players like his labourers and talk down to them in a mixture of profanities, legalese and insults. As former player rep Basil McRae put it, the players were not necessarily stupid but they could not keep up with a lawyer (Houston & Shoalts, 1993, p. 124). Since he used to ream out any player reps daring to question his judgment, challenges by the players were virtually non-existent (Stein, 1997).

What really frustrated the players during Eagleson's reign was his inability to negotiate a more liberal free agency agreement with the owners. He used to complain about the reserve clause but it was the competition with the WHA that cause it to fall. Even when he had the opportunity to set a precedent in the NHL for free agency, he refused. Brian Smith, a Detroit lawyer, obtained a US federal court order for Dale McCourt of the Red Wings blocking his move to the Kings when he was traded to them as compensation for Rogatien Vachon in 1978. The NHL ended up winning the suit however Smith threatened to appeal under US anti-trust laws so the NHL decided to arrange a different trade that kept McCourt in Detroit. A victory by McCourt would have helped the players to receive unrestricted free agency at an earlier age but Smith received

no help from Eagleson who maintained the restriction was necessary to continue receiving “wonderful” benefits such as international hockey of which the players were never sure how much Eagleson kept for himself (Houston & Shoalts, 1993, pp. 127, 129-130, 157-158)

And after the 1982 negotiations, the owners were happier with Eagleson than the players were. The amendments talked about earlier thrilled the owners especially since Marvin Miller had managed to negotiate unrestricted free agency in baseball, which was sure to bring higher expenses in the form of salaries to the game (Houston & Shoalts, 1993, pp. 129-130). Of course, high priced hockey stars could become free agents but the new teams still had to give up two first-round draft choices or a first-rounder and any player they wanted from the other team’s roster, excluding a protected list of two (Cruise & Griffiths, 1991).

Right before negotiations for a new CBA in 1986, Eagleson’ contract was up and he notified the players that a new one was necessary before he would represent them. Worried that Eagleson might take offers to work on the other side of the table and they would be left without a leader, the players were at a disadvantage and hastily put a new multi-year contract together for him (Cruise & Griffiths, 1991) including many benefits the players themselves were not receiving (Houston & Shoalts, 1993, p. 180).

Eagleson happily agreed to this new contract requiring only about 65% of his time and led the players blindly into negotiations. He hired no experts nor did he provide any financial stats to refute the owners’ claims that players’ salaries had increased 18% from 1984-85 to 1985-86 and that operating costs had increased dramatically. He said that he did not want to waste the players’ money and instead hired outside consultants such as Tony Esposito, a former goalie with no labour, business or legal expertise, and Sam Simpson, the NHLPA’s office manager (Cruise & Griffiths, 1991).

In the end, the players did gain concessions in their pensions and slightly less compensation for the loss of a free agent. Active players would no longer be used. However these gains were far less than those received in other sports and the players doubted their leader (Cruise & Griffiths, 1991). They were also tired of his cushy relationship with Bill Wirtz, the NHL’s chair of the board, along with John Ziegler and wondered exactly who he worked for when they would see him show up on Wirtz’s yacht (Houston & Shoalts, 1993, p. 126; Stein, 1997).

Aside from Eagleson’s obvious conflicts of interest, the players were also growing tired of his arrogance and autocratic style (Houston & Shoalts, 1993, p. 123). Eagleson’s lackluster performance as head of the union was only hurting their business and probably played a role in agents Ron Salcer and Rich Winter’s desire to have Eagleson removed. They hired former NHLFA executive director, Ed Garvey, and the three of them gathered the support of the players in an attempt to oust the executive director (Cruise & Griffiths, 1991).

When Ed Garvey was scheduled to speak on behalf of the NHLPA in June of 1989, several players were still not convinced that Eagleson should be ousted. Nevertheless, Garvey spoke for a good part of June 4th while Eagleson sat subdued, like a man who faces the rope and has run out of hope. Gone were the obscene and jocular repartee, the confident strut and the viscous put-downs. The ego that had surrounded him like a permanent halo had shriveled (Cruise & Griffiths, 1991).

On the agreement that he would be able to retain a role as a consultant until the end of his contract, Eagleson stepped down. Ironically enough, the union voted to keep Eagleson as their executive director however that was because the NHLPA reps as well as a player from each team voted. Had it been one team, one vote, Eagleson would have been ousted (Cruise & Griffiths, 1991).

Eagleson's technical victory that day might have helped his morale however the real victors were the players. In trying to unseat Eagleson or at least hold him accountable, the men underwent a subtle, psychological transformation. They would never again let their executive director terrorize them as a group (Cruise & Griffiths, 1991).

Appendix AB Labour Negotiations Behaviour

During the 1980s, labour negotiations in the NHL were quite placid and geared towards integrative bargaining. The representatives, comprised of an owner-player executive committee would meet twice a year in order to consider proposals intended to fine-tune the CBA. The parties seemed to trust and respect one another making outside mediation unnecessary while avoiding strikes or lockouts (Berry et al., 1986, p. 228; Stein, 1997).

This concept of continuous bargaining that ran counter to generally accepted principles of labour relations proved effective in specific circumstances as the parties were able to revise the contract readily in situations where discussions of initial provisions were not successful. The era of continuous negotiations has the ability to forestall strikes because parties were not dealing with multiple and complex issues at one time. Berry, Gould, & Staudohar (1986, p. 209) also state that while this may have been due to factors other than negotiation practice, there is no evidence that it produced negative results.

As Berry, Gould, & Staudohar (1986, p. 228) illustrate, the early years of collective bargaining saw the players showing a greater sense of compromise than the owners. As discussed later, the owners were all too happy to deal with Alan Eagleson who did little to progress the rights for his union. Ziegler and Eagleson were quite close and would usually discuss ahead of negotiations what concessions the players and owners would have to make in order to arrive at a solution. As the owners would always bring up the precarious financial picture of the league, the NHL would always attempt to keep free agency restricted. During the actual negotiations, Eagleson would show some restraint in front of his player representatives and Ziegler would do the same in front of the owners but in the end the solution was usually similar to what the league wanted all along (Stein, 1997).

Appendix AC John Ziegler

John A. Ziegler Jr. took over from Clarence Campbell as president of the NHL on September 4, 1977. He immediately began to formalize the NHL office by hiring finance, legal, television and marketing experts as vice-presidents. Ken Sawyer brought order to the league's accounts and budgets while Steve Ryan helped the league's marketing arm, newly named NHL Enterprises Inc., go from a \$600,000 annual loss to a \$10 million profit. Joel Nixon brought years of US network broadcast experience over from Madison Square Garden and Gil Stein came over from the Philadelphia Flyers to take the job as VP in charge of legal counsel (Cruise & Griffiths, 1991; Stein, 1997).

Ziegler was calm and polite, quite opposite to that of Allan Eagleson, however he was particularly skilled at negotiations and could usually lead his committee to a consensus of what he wanted the NHL's position to be (Cruise & Griffiths, 1991; Stein, 1997).

However Ziegler's downfall was that he thought too small. Even though the league brought in various VPs under Ziegler's leadership, his non-focus in the area of marketing and television kept the league from appearing as more of a single entity. During Ziegler's reign, Wayne Gretzky, perhaps the best hockey player ever, had the chance to appear on *The Tonight Show* with Johnny Carson however his plane was stuck in Chicago. Gretzky offered to pay half the bill for a private jet but Ziegler refused to fund the other half (Fischler, 1995, p. 40). As a result, the league missed the chance to introduce Wayne Gretzky to a US national audience for a small fee and perhaps expand the market of the NHL.

Eventually, the owners grew weary of Ziegler's failures in the area of television and marketing. He was often indecisive and sometimes invisible regarding problems that called for strong leadership. Some of the owners argued that he did not use the skills of his different owners effectively causing committees to become stale and redundant. Even his collective bargaining skills seemed to desert him during the strike of 1992 and Goodenow received most of the concessions proposed by the union. This led to Ziegler's firing and the subsequent appointment of Gil Stein as interim president. Then, in February of 1993, Gary Bettman took office as the NHL's first commissioner (Cruise & Griffiths, 1991; Staudohar, 1996, p. 146; Stein, 1997).

Appendix AD The 1995 CBA

During the strike of 1992, Ziegler, alluding to some kind of cost certainty, uttered a statement that did not sit too well with his governors, “We need someone to protect the owners from themselves!” (Fischler, 1995, p. 50) What the governors wanted was a system that would stop owners from being fiscally irresponsible. For example, John McMullen of the Devils was particularly annoyed when the St. Louis Blues offered his defenceman, Scott Stevens, \$17.05 million over four years. In order for McMullen to keep his player in the interest of the franchise, he had to match the offer but admitted it was a financial mistake. McMullen blamed the system that was operating without a salary cap and many owners such as the new owner of the Hartford Whalers, Peter Karmonos, echoed his sentiments (Fischler, 1995, p. 115, 150 & 182).

The union would not budge on their stance though therefore a new CBA was not negotiated during the 1993-94 season and of course a lockout ensued at the beginning of the 1994 campaign (Stein, 1997). Bob Goodenow was not interested in any type of solution that called for an NFL-style or NBA-style cap, a salary-pyramid format or a rookie salary cap. He would not conduct negotiations so long as that was the league’s initial point (Fischler, 1995, p. 119). However Bettman was adamant the league needed some kind of system, possibly one yet to be invented, that was fair to the players and owners; a solution jointly arrived upon by both parties with the ability to make the sport stronger so revenues and salaries could grow. He was bound and determined to work something out with Bob Goodenow and insisted the issue was not about holding down salaries (Fischler, 1995, pp. 57-58 & 119).

The owners’ proposed solution that sat on the table for some time was designed to limit salaries by requiring high-spending teams to contribute to revenue sharing through a “payroll tax” system. This would reduce the rate of salary escalation in order to help small-market teams with the ability to sign and retain top quality players (Staudohar, 1996, p. 152). Brian Burke suggested this was the only possible solution as cost certainty had solved the competitive balance problem in two other leagues and the players could not bring enough to the table to avoid it. Some kind of mechanism was essential to combat the financial and competitive disparities due to individual player contract negotiations combined with widely diverse revenue streams and since the players were dead set against a cap, this might provide for a better solution (Fischler, 1995, pp. 139).

Some players such as Jeremy Roenick figured that Bettman was hired strictly to impose a salary cap and he would press until he got it for fear of being fired by the owners however Goodenow was not about to accept a proposal of which there was no joint committee formed to discuss. Roenick was happy that Bettman’s intention was to turn the league around financially but was convinced the players would not let him do it with a salary cap (Fischler, 1995, p. 115).

Although there were some players such as Kelly Buchberger who thought a rookie salary cap was not such a bad idea. Considering he only made \$60,000 a year when he broke into the league, Buchberger thought that unproven players did not deserve multi-million dollar contracts (Fischler, 1995, p. 116).

By January of 1995, about half way through the standard NHL season, the players finally countered to the owners’ offer of a luxury tax scheme with a plan of their own.

Perhaps, for reasons outlined by Beamish in his (1991) article, *The Impact of Corporate Ownership on Labor-Management Relations in Hockey* and discussed earlier in this paper, enough players desired to start the season as their future income was decreasing by the day and that resulted in a majority vote partially agreeing to the owners' suggestion. The union proposed that the top four spending teams pay a tax of 7%, the next four pay 5%, the next four pay 3% and the next four pay 1% on their total payrolls. All of this money would then go towards helping small market teams (Staudohar, 1996, p. 152). Had this plan been instituted, \$36.9 million would have been generated in 2002-03 to help the small markets (Kagan, 2001b).

However neither party could mobilize enough support from the other side for their respective ideas and the payroll tax scheme was dropped. The owners wanted an increased percentage deducted from the higher spending teams but the union would not agree. Some teams would not have survived a prolonged work stoppage (Friedman, 2003, February 1) so the owners dropped their request for a luxury tax and proposed a rookie salary cap along with some restrictions in the area of salary arbitration and free agency (Staudohar, 1996, pp. 152-153). The union agreed and a 48-game season commenced.

The players did take a step or two backwards in the area of collective bargaining, as the 1995 agreement did not allow free agency to players who only finished one contract and compensation for free agents aged 25 to 31 was enhanced. Even eligibility for unrestricted free agency was increased to age 32 for the years 1994-95 to 1996-97 however it was reduced again to 31 from 1997-98 onwards (Staudohar, 1996 p. 157-158). Eligibility for salary arbitration was also restricted. Players between the ages of 18 and 20 cannot arbitrate their salary until age 27 while players entering the league between the ages of 21 and 25 are eligible at 26 (Staudohar, 1996, p. 154).

Appendix AE The 2004 CBA

A former NHL club owner maintains that current owners see a salary cap as the only solution to curb rising salaries and they will do whatever it takes to gain support from the union including initiating another prolonged work stoppage. And the commissioner continues to call on the union to form a partnership in order to strengthen the game (Shoalts, 2003, January 18).

Bettman has neither confirmed nor denied that his plan is to propose a salary cap in the area of \$35 million however if that was the case, it would bring salaries down to about 50% of the average club's revenue, similar to that of the NBA (Shoalts, 2003, January 18). According to the commissioner, this would allow teams that already have payrolls in that area to retain their playing talent and remain financially viable with the ability to attract new equity. Inflationary pressures would disappear because all the teams would remain on an even keel (Friedman, 2003, February 1; Shoalts, 2003, January 18).

In echoing the words of John Ziegler, Bettman thinks it is okay if a salary cap is needed to save the owners from themselves because fans want to watch competitive teams at a reasonable price. While he is not totally against revenue sharing at this point, he does not understand how it could work without cost certainty. In saying this, Bettman believes it is necessary to align revenues with expenses to control inflation but that does not necessarily mean a salary cap (Brender, 2003, January 3; Friedman, 2003, February 1). Canucks General Manager Brian Burke agrees with Bettman and is adamant that the economic system has to be redesigned to control labour costs, as that is what would happen in any other business. Burke, along with many owners, is not sold on revenue sharing as a solution and is uncertain as to how well the new system will work in MLB (MacDonald, 2003, January 27). Owners, especially in large markets, are afraid that sharing in local revenue will severely reduce the value of their team while increasing the value of a small market team (Shoalts, 2003, January 18).

Bob Goodenow and the players' union have given no indication that they will agree to a salary cap and argue that the current system, which ties a player to his team through restrictive measures until the age of 31, allows owners to pay players only what they feel is necessary. Any problems that ended in the bankruptcy of franchises were caused either by the league admitting undercapitalized teams or by the financial institutions, which rushed to lend these teams money throughout the 1990s (Shoalts, 2003, January 18).

In addition, the union finally agreed to and proposed an amended luxury tax system in 1995 however the owners opted for other controls restricting entry-level income and salary arbitration of which the union has had to live under for eight years (MacDonald, 2003, January 27; Talalay & Russo, 2003, February 3). Therefore, the players association believes that a fair and equitable marketplace should dictate salaries. Goodenow understands that markets can go up and down but thinks the players should receive a salary based on their worth to the league and if the market fluctuates resulting in lower salaries, that is fine, but his union does not want an artificial restraint. They do not ask for minimum payrolls and salaries should reflect the values that smart business people attach to the contribution of the players (Brender, 2003, January 3; Hyman,

December, 2002; MacDonald, 2003, January 27; Shoalts, 2003, January 18; Talalay & Russo, 2003, February 3).

Instead, Goodenow and his union look at the problem from a revenue standpoint and suggest that if a disparity exists between franchises, it is well within the league's power to change the distribution of said revenue to aid small market teams. Revenue sharing in the NHL is insignificant and currently sits at 9% of all revenues while the NBA shares 35%, MLB shares 34% and the NFL shares 63% (Brender, 2003, January 3; MacDonald, 2003, January 27; Naylor, 2003, January 21). The owners control the income that comes in and the expenses that go out and no team is ever forced to pay or keep a player (Brender, 2003, January 3).

Appendix AF Expansion Effects

Gorman and Calhoun (1994, p. 228) suggest that professional sports are in an age of which the fans demand instant gratification however expansion teams generally take a long time to become consistent winners. In saying this, Gary Bettman's expansion mandate when he first took the commissioner's chair was to see the newest teams quickly gain a competitive edge (Fischler, 1995, p. 54). Florida and Anaheim started play the September after Bettman took office in February of 1993. Florida started out quite well and while Anaheim struggled they still had a respectable record of 33 wins and 46 losses compared to Ottawa's dismal first start of 10 and 70 or even Tampa Bay's first year record of 23 and 54 (Klein & Reif, 2001).

Table 12 illustrates the attendance by capacity starting from 2000-01 however attendance figures from 1992-93 to 1999-00 to illustrate the following point were also gathered (Attendance Figures, 2002; Kagan, 2001b). Other than a winning record, there are other intangibles that might bring people to the venue of a new sports team including just the novelty of a fresh form of entertainment. However it is interesting to note that during Florida's first six years of existence of which they had a record of 183 wins and 192 losses and also made a trip to the Stanley Cup final (Klein & Reif, 2001), regular season attendance averaged almost 97% and then as the team slowly declined to a record of 111 and 161 up until 2002-03 (Klein & Reif, 2001; NHL Standings, 2002-2003, 2003; NHL 2001-2002 Standings, 2002), so did attendance to an average of about 81%.

Conversely, Florida's other team, Tampa Bay started out with a record of 157 and 252 over six years (Klein & Reif, 2001) and saw attendance average only about 68%. During the years to follow up until 2002-03, their record mirrored a similar 125 and 225 (Klein & Reif, 2001; NHL 2001-2002 Standings, 2002; NHL Standings, 2002-2003, 2003) while attendance improved slightly to 73.4%.

Professional hockey was new to this area of North America and it appeared as though the people of Florida appreciated the game as long as their team was winning. However as Florida's record fell and Tampa Bay continued to struggle, the teams became somewhat loosely connected to the NHL because there was no prior attraction to hockey or die-hard fans so to speak of. The game by no means has been imbedded into the society. Miami (the city Florida plays in) is also the smallest city to house all four major sports teams as the Dolphins of the NFL, Marlins of MLB and the Heat of the NBA also play there (Gorman & Calhoun, 1994, p. 223) which is ultimately competition for the entertainment dollar. In fact, the NHL Panthers have resorted to giving tickets away in order to sell people on the game (Matheson, 2003, February 1).

On the other hand, Attendance Figures (2002) reveal that Ottawa, a city that had an NHL team years ago, enjoyed an attendance average of 96% over the first three years of its modern day existence but saw that number drop to 86% over the next three years however their record was absolutely dreadful over that time at 116 and 293 (Klein & Reif, 2001). With a record of 224 and 126 over the past five seasons (Klein & Reif, 2001; NHL Standings, 2002-2003, 2003; NHL 2001-2002 Standings, 2002), attendance has gone back up to average 94%. Being in Canada, Ottawa is privy to the knowledge of affluent hockey fans and the first three years attendance figures probably represents the city's excitement over a new hockey team. However, even die-hard hockey fans prefer to

watch a winning team and it is no surprise that with their atrocious record, the attendance did drop off a little.

Finally, Table 12 illustrates the attendance records of the NHL's four newest teams, Atlanta, Nashville, Minnesota and Columbus. While Minnesota is said to be the United States' hockey hotbed, Columbus is not far off and even with sub .500 records, each team has enjoyed excellent attendance. However Nashville and Atlanta (with the exception of housing the Flames in the mid 1970s), like Tampa Bay and Florida, represent greenfield sites with very little hockey tradition and the attendance shows it. Both teams started out strong probably due to the novelty of a new form of entertainment however with sub par records there is really nothing left to attract the fans back (Klein & Reif, 2001; NHL Standings, 2002-2003, 2003; NHL 2001-2002 Standings, 2002). Cliff Fletcher, the vice-president of the Phoenix Coyotes, another southern US location fairly new to hockey tradition said it himself, "A lot of the markets today are performance driven. When the teams become more competitive, then you'll see the stands fill up in a hurry." (Shoalts, 2003, January 22)

In 2002-03, seven of the ten bottom teams in terms of attendance were either expansion or relocated franchises in the southern US (see Table 12) and these were the areas deemed vital to attracting new US television deals (Shoalts, 2003, January 22). In 2000-01 six of the bottom fifteen teams in terms of local media revenue (see Table 10) were also southern US cities. Along with the Canadian teams and small market US teams, the expansion teams are clearly unable to generate the necessary revenue to ice a competitive team. Because expansion into non-traditional hockey areas caused the league to become locally differentiated, the NHL has to use this opportunity to find a cooperative mechanism that will benefit the overall league (Usher & Wolfe, 2001, August) thereby increasing the competitiveness of the southern US teams. This would probably attract more fans to these games and increase their local revenues, which could potentially increase the US national viewer base and ultimately league revenue.

Table 1

Antecedents of Deinstitutionalization

Level of Analysis	Political Pressures	Functional Pressures	Social Pressures
Organization	Mounting performance crisis	Changing economic utility	Increasing social fragmentation
Organization	Conflicting internal interests	Increasing technical specificity	Decreasing historical continuity
Environment	Increasing innovation pressures	Increasing competition for resources	Changing institutional rules and values
Environment	Changing external dependencies	Emerging events and data	Increasing structural disaggregation

Note. From “The Antecedents of Deinstitutionalization,” by C. Oliver, 1992,

Organization Studies, 13, 4, p. 567. Copyright 1992 EGOS.

Table 2

Payroll/Winning Percentage Rank Correlation for each year 1990-96 in the NHL, NBA and NFL

League	1990	1991	1992	1993	1994	1995	1996	Average
NHL	0.06	0.28	0.40	0.41	0.45	0.35	0.44	0.34
NBA	0.70	0.34	0.36	0.27	0.58	0.53	0.56	0.48
NFL	0.39	0.07	0.47	0.46	-0.24	-0.12	-0.02	0.14

Note. From *Hardball: The Abuse of Power in Pro Team Sports* (p. 205), by J. Quirk & R. Fort, 1999, Princeton, NJ: Princeton University Press. Copyright 1999 by Princeton University Press.

Table 3

Payroll/Winning Percentage Rank Correlation for each year 1997-03 in the NHL, NBA and NFL

League	1997	1998	1999	2000	2001	2002	2003	Average
NHL	0.46*	0.39*	0.27	0.52**	0.45**	0.64**	0.42*	0.45
NBA	0.40*	0.68**	n/a ^a	0.44**	0.47*	0.18	0.46**	0.44
NFL	n/a ^b	0.50**	0.24	-0.04	0.13	-0.04	-0.02	0.14

^alockout. ^bdata unavailable.

*p<0.05. **p<0.01.

Table 4

NFL Team Revenues for 2000-01 (in millions of dollars)

Team	Gate	Arena ^a	Shared	Loc Med	Total	Expenses	Cash
Washington	35.0	40.8	74.5	8.5	158.9	134.8	24.1
Dallas	23.0	42.2	74.5	6.6	146.3	104.2	42.1
Tampa Bay	27.5	31.7	74.5	4.2	137.9	110.3	27.5
Tennessee	26.5	30.3	74.5	3.4	134.7	110.7	24.1
Baltimore	21.6	30.2	74.5	5.0	131.3	109.9	21.4
Cleveland	21.0	28.2	74.5	6.8	130.4	92.1	38.4
Carolina	26.3	22.4	74.5	5.6	128.9	101.6	27.3
New England	19.9	16.2	74.5	8.6	119.2	93.6	25.7
Jacksonville	23.2	18.3	74.5	2.6	118.6	107.5	11.2
Miami	22.5	17.5	74.5	3.7	118.2	100.7	17.5
Kansas City	23.1	17.4	74.5	2.0	117.1	91.7	25.4
St. Louis	20.9	17.7	74.5	3.7	116.8	97.0	19.8
Cincinnati	21.6	18.7	74.5	1.6	116.4	93.6	22.9
NYG	23.6	11.5	74.5	5.1	114.7	81.9	32.8
San Francisco	22.3	10.4	74.5	5.8	113.1	88.9	24.2
Green Bay	21.0	15.2	74.5	2.3	113.0	83.5	29.6
Philadelphia	20.6	12.7	74.5	4.6	112.4	95.6	16.9
Buffalo	22.3	13.9	74.5	1.4	112.1	111.1	1.0
NYJ	25.2	7.1	74.5	4.3	111.1	96.1	15.0

Team	Gate	Arena ^a	Shared	Loc Med	Total	Expenses	Cash
Seattle	20.5	10.4	74.5	4.1	109.4	122.2	-12.7
New Orleans	18.9	15.9	74.5	1.8	108.8	93.2	15.7
Indianapolis	19.7	12.8	74.5	1.8	108.8	107.6	1.3
Oakland	20.8	10.9	74.5	2.5	108.8	97.8	11.0
San Diego	21.7	9.2	74.5	2.5	108.0	90.3	17.7
Pittsburgh	18.8	11.0	74.5	3.3	107.6	86.9	20.7
Minnesota	21.0	9.8	74.5	2.0	107.4	82.4	25.0
Denver	23.3	4.8	74.5	4.6	107.2	92.1	15.1
Detroit	23.3	4.8	74.5	4.6	107.2	92.1	15.1
Chicago	20.8	5.7	74.5	5.9	106.9	91.9	15.0
Atlanta	17.4	11.1	74.5	2.1	105.2	90.4	14.8
Arizona	16.6	7.4	74.5	0.2	98.6	83.2	15.4
Average	22.3	16.7	74.5	3.9	117.3	97.9	19.4

^aincludes luxury suite, concessions and parking, arena sponsorship, signing and naming and miscellaneous revenue

Note. The data was calculated using *Kagan: The Business of Football 2002: Pro Team Economics 1991-2002*, by Kagan, 2001, Carmel, CA: Kagan World Media. Copyright 2002 by KWM.

Table 5

*NFL Team Payrolls 2000-01 to 2002-03**(in millions of dollars)*

Team	2001	2002	2003
Washington	92.4	76.8	96.0
Buffalo	90.7	86.2	98.2
Detroit	78.4	95.0	86.2
Seattle	77.6	82.5	89.3
Jacksonville	77.0	81.1	92.4
Tampa Bay	76.8	76.4	95.5
Indianapolis	76.1	83.4	92.4
Carolina	73.1	65.6	82.0
Miami	72.4	71.9	89.9
Baltimore	71.2	80.3	100.4
Philadelphia	70.6	73.1	91.4
Chicago	70.3	71.9	89.8
Oakland	69.8	82.8	92.7
NYJ	69.7	77.7	97.1
Tennessee	69.7	69.8	87.2
Kansas City	69.3	67.6	84.5
Cincinnati	68.6	70.8	88.6
Atlanta	66.8	72.4	90.5

Team	2001	2002	2003
San Diego	62.5	65.4	81.8
New Orleans	62.4	59.0	73.7
Cleveland	62.1	73.1	91.4
Denver	61.2	95.0	86.2
Pittsburgh	61.1	57.6	72.0
San Francisco	60.2	65.8	82.3
St. Louis	59.3	71.1	88.9
Minnesota	59.2	59.3	74.1
Dallas	57.9	50.7	96.3
New England	57.5	61.0	76.2
NYG	57.3	66.3	82.8
Green Bay	55.7	63.4	72.3
Arizona	55.3	55.0	68.8
Houston			-
Average	68.1	71.9	86.8

Note. Houston was a new team in 2002-03. Payroll figures were unavailable.

Note. From *Kagan: The Business of Football 2002: Pro Team Economics 1991-2002*, by Kagan, 2001, Carmel, CA: Kagan World Media. Copyright 2002 by KWM.

Table 6

*NFL Attendance by Percent Capacity**2000-01 to 2002-03*

Team	2001	2002	2003	Average
Tennessee	102.2	100.0	100.0	100.7
St. Louis	100.1	100.2	100.1	100.1
Minnesota	100.1	100.1	99.9	100.0
Chicago	100.0	94.4	81.9	92.1
New England	100.0	100.0	100.6	100.2
Philadelphia	99.9	100.8	100.1	100.3
Baltimore	99.8	100.4	100.4	100.2
Carolina	99.6	98.5	93.0	97.0
Kansas City	99.3	97.1	98.4	98.3
Cleveland	99.3	99.6	100.1	99.7
Denver	99.3	98.6	99.3	99.1
Tampa Bay	98.9	99.8	100.0	99.6
Indianapolis	98.6	100.4	101.0	100.0
Green Bay	98.3	95.7	101.8	98.6
NY Giants	98.2	98.0	98.2	98.1
NY Jets	98.1	98.0	98.2	98.1
Miami	98.1	97.3	96.9	97.4
New Orleans	97.1	102.4	99.2	99.6

Team	2001	2002	2003	Average
San Francisco	96.5	97.2	97.5	97.1
Dallas	96.0	96.3	96.1	96.1
Buffalo	95.0	85.3	92.6	91.0
Washington	94.8	90.2	93.1	92.7
Detroit	94.4	93.6	94.2	94.1
Pittsburgh	92.4	96.8	95.1	94.8
Oakland	91.6	93.5	96.0	93.7
Cincinnati	89.6	86.7	80.8	85.7
Seattle	87.6	83.2	94.1	88.3
Jacksonville	82.6	82.8	77.1	80.8
San Diego	75.8	83.6	87.1	82.2
Atlanta	74.3	76.2	96.7	82.4
Arizona	61.3	52.4	55.8	56.5
Houston			100.6	100.6
Average	94.2	93.5	94.6	94.1

Note. The data in column 1 is from *Kagan: The Business of Football 2002:*

Pro Team Economics 1991-2002 (p. 505), by Kagan, 2001, Carmel, CA:

Kagan World Media. Copyright 2002 by KWM.

Note. The data in column 2 is from *2001 NFL Attendance*

(<http://www.infoplease.com/ipsa/A0905961.html>). Copyright 2000-2003 by Family

Education Network, Inc.

Note. The data in column 3 is from *NFL Attendance*

(<http://www.kenn.com/sports/football/nfl/>). Copyright 2003 by Kenn Tomasch.

Table 7

NBA Team Revenues for 2000-01 (in millions of dollars)

Team	Gate	Arena ^a	Shared	Loc Med	Total	Expenses	Cash
New York	74.0	38.4	26.1	21.0	159.5	109.4	50.1
LA Lakers	67.9	23.6	26.1	23.0	140.6	104.0	36.6
Portland	58.3	17.6	26.1	11.0	113.0	119.0	-6.0
Chicago	46.7	18.7	26.1	15.5	107.0	60.9	46.1
Miami	38.4	18.9	26.1	13.0	96.4	96.8	-0.4
Utah	43.0	14.0	26.1	12.3	95.4	84.5	10.9
Philadelphia	39.6	16.7	26.1	12.5	94.9	85.8	9.1
Indiana	38.8	11.8	26.1	9.5	86.2	80.0	6.2
Phoenix	37.3	9.6	26.1	13.0	86.0	84.4	1.6
Sacramento	39.3	10.9	26.1	9.7	86.0	72.9	13.1
Washington	37.7	11.7	26.1	10.0	85.5	84.0	1.5
Detroit	23.2	18.9	26.1	13.0	81.2	68.7	12.5
Boston	29.7	10.7	26.1	12.5	79.0	80.9	-1.9
Toronto	40.0	8.3	26.1	3.3	77.7	71.9	5.8
San Antonio	33.7	8.3	26.1	9.0	77.1	79.4	-2.3
Seattle	34.9	5.1	26.1	10.0	76.1	83.5	-7.4
Cleveland	28.1	11.7	26.1	9.0	74.9	73.5	1.4
Atlanta	25.5	11.1	26.1	11.5	74.2	69.9	4.3
Houston	34.1	3.4	26.1	9.5	73.1	69.2	3.9

Team	Gate	Arena ^a	Shared	Loc Med	Total	Expenses	Cash
Orlando	28.6	7.6	26.1	10.5	72.8	67.3	5.5
Golden State	25.0	11.3	26.1	9.6	72.0	73.3	-1.3
New Jersey	31.8	7.4	26.1	6.0	71.3	83.0	-11.7
Minnesota	27.4	9.0	26.1	7.5	70.0	73.8	-3.8
Denver	22.4	10.9	26.1	8.0	67.4	69.1	-1.7
Dallas	24.3	4.5	26.1	11.5	66.4	80.1	-13.7
LA Clippers	24.6	6.7	26.1	7.5	64.9	53.6	11.3
Milwaukee	21.7	5.5	26.1	6.0	59.3	69.2	-9.9
Charlotte	20.9	4.4	26.1	6.0	57.4	62.6	-5.2
Vancouver	19.4	5.0	26.1	2.0	52.5	76.8	-24.3
Average	35.0	11.8	26.1	10.4	83.4	78.9	4.5

^aincludes luxury suite, concessions and arena signage revenue

Note. The data was calculated using *Kagan: The Business of Basketball 2001*, by Kagan, 2001, Carmel, CA: Kagan World Media. Copyright 2001 by KWM.

Table 8

*NBA Team Payrolls 2000-01 to 2002-03**(in millions of dollars)*

Team	2001	2002	2003
Portland	87.2	83.8	106.0
New York	68.5	85.5	92.2
Miami	65.8	52.6	55.5
LA Lakers	63.0	53.5	61.2
Phoenix	57.1	56.2	53.5
New Jersey	56.2	75.2	55.2
San Antonio	56.0	45.7	47.5
Washington	54.9	54.8	35.4
Utah	54.4	52.6	48.4
Seattle	53.4	45.4	53.4
Philadelphia	53.2	58.1	54.2
Dallas	49.9	57.4	66.4
Cleveland	49.4	45.6	42.5
Memphis	49.0	50.9	53.9
Indiana	48.5	53.2	53.9
Sacramento	47.3	54.9	68.3
Minnesota	46.9	54.6	59.4
Boston	46.7	47.5	52.4

Team	2001	2002	2003
Milwaukee	45.4	56.2	56.9
Denver	43.5	54.4	41.3
New Orleans	42.6	50.0	43.6
Detroit	41.1	42.4	43.6
Atlanta	40.5	51.2	53.9
Houston	39.7	49.2	47.6
Golden State	39.5	47.7	46.3
Toronto	39.0	52.3	53.7
Orlando	37.7	45.8	44.8
Chicago	25.9	42.6	41.1
LA Clippers	25.2	33.8	26.6
Average	49.2	53.6	53.7

Note. The data in column 1 is from *Kagan: The Business of Basketball 2001* (p. 261), by Kagan, 2001, Carmel, CA: Kagan World Media. Copyright 2001 by KWM.

Note. The data in column 2 is from *2001-02 NBA Attendance* (<http://www.infoplease.com/ipps/A0779885.html>). Copyright 2000-2003 by Family Education Network, Inc.

Note. The data in column 3 is from *NBA Attendance* (http://sports.espn.go.com/nba/attendance?sort=away_avg&year=2003). Copyright 2003 by ESPN Internet Ventures.

Table 9

*NBA Attendance by Percent Capacity**2000-01 to 2002-03*

Team	2001	2002	2003	Average
San Antonio	108.3	108.0	97.2	104.5
Portland	101.5	97.4	97.2	98.7
New York	100.0	100.0	96.2	98.7
Sacramento	100.0	100.0	100.0	100.0
Chicago	100.0	87.2	90.4	92.5
Toronto	97.7	99.8	95.8	97.8
Utah	97.0	93.8	96.3	95.7
Indiana	96.7	91.3	89.1	92.4
Philadelphia	96.1	100.6	96.3	97.7
LA Lakers	94.7	100.0	98.4	97.7
Phoenix	94.6	85.8	85.5	88.6
Minnesota	92.1	93.9	82.6	89.5
Dallas	91.9	102.0	103.7	99.2
Seattle	91.6	90.5	91.0	91.0
Milwaukee	89.0	97.1	86.8	91.0
Orlando	85.6	87.8	85.7	86.4
Miami	84.3	96.9	78.2	86.5
Boston	82.4	88.1	92.9	87.8

Team	2001	2002	2003	Average
Denver	78.2	80.9	77.6	78.9
Houston	77.7	72.1	84.6	78.1
Cleveland	77.2	70.7	55.9	67.9
Washington	75.3	99.0	97.6	90.6
Golden State	73.7	73.8	79.0	75.5
LA Clippers	73.1	96.6	90.8	86.8
Memphis	71.6	74.5	74.0	73.4
New Jersey	68.9	68.6	75.7	71.1
Detroit	67.5	84.0	92.7	81.4
Atlanta	67.3	63.4	66.3	65.7
New Orleans	63.1	47.4	91.0	67.2
Average	86.1	88.0	87.9	87.3

Note. The data in column 1 is from *Kagan: The Business of Basketball 2001* (p. 342), by Kagan, 2001, Carmel, CA: Kagan World Media. Copyright 2001 by KWM.

Note. The data in column 2 is from *2001-02 NBA Attendance* (<http://www.infoplease.com/ipa/A0779624.html>). Copyright 2000-2003 by Family Education Network, Inc.

Note. The data in column 3 is from *NBA Team Salaries 2002-03* (<http://www.fullsportpress.com/salaries.html>). Copyright 2003 by Full Sport Press, Inc.

Table 10

NHL Team Revenues for 2000-01 (in millions of dollars)

Team	Gate	Arena ^a	Shared	Loc Med	Total	Expenses	Cash
Toronto ^b	52.8	22.4	13.2	18.5	106.9	68.9	38.0
NYR ^b	49.1	28.6	13.2	3.5	94.4	90.9	3.5
Philadelphia	49.8	26.0	13.2	2.5	91.5	68.0	23.5
Dallas	39.3	18.3	13.2	16.0	86.8	76.2	10.6
Detroit	42.9	20.4	13.2	8.5	85.0	81.3	3.7
Colorado ^b	46.6	14.8	13.2	9.5	84.1	80.7	3.4
LA	35.4	29.8	13.2	3.5	81.9	60.5	21.4
Montreal ^b	30.9	24.6	13.2	10.5	79.2	70.1	9.1
Chicago ^b	28.8	32.6	13.2	2.5	77.1	67.1	10.0
St. Louis ^b	36.0	18.7	13.2	9.0	76.9	69.7	7.2
Boston	30.1	20.0	13.2	10.5	73.8	72.5	1.3
Minnesota	36.9	18.7	7.0	9.0	71.6	44.4	27.2
San Jose	33.8	15.7	13.2	3.4	66.1	58.2	7.9
Vancouver ^b	31.7	14.7	13.2	6.2	65.8	66.5	-0.7
Atlanta	31.6	19.4	7.0	6.5	64.5	52.6	11.9
Anaheim	27.6	12.0	13.2	9.5	62.3	68.6	-6.3
Pittsburgh	31.4	8.7	13.2	7.3	60.6	43.8	16.8
Tampa Bay	25.6	13.7	13.2	7.5	60.0	42.0	18.0
New Jersey	32.0	10.3	13.2	4.0	59.5	60.9	-1.4

Team	Gate	Arena ^a	Shared	Loc Med	Total	Expenses	Cash
Buffalo	28.6	13.9	13.2	3.5	59.2	67.4	-8.2
Washington	23.2	14.5	13.2	7.5	58.4	68.0	-9.6
Nashville	27.7	16.8	7.0	5.9	57.4	51.2	6.2
NYI	15.5	12.4	13.2	15.0	56.1	48.2	7.9
Florida	27.3	11.6	13.2	3.5	55.6	55.6	0.0
Columbus	33.8	10.4	7.0	4.0	55.2	36.0	19.2
Ottawa	30.7	7.6	13.2	2.0	53.5	52.4	1.1
Phoenix	22.2	11.1	13.2	6.0	52.5	67.9	-15.4
Carolina	21.8	10.3	13.2	3.9	49.2	48.4	0.8
Edmonton	21.4	7.5	13.2	6.5	48.6	49.4	-0.8
Calgary	22.1	10.1	13.2	1.5	46.9	47.9	-1.0
Average	32.2	16.5	12.4	6.9	68.0	61.2	6.8

^aincludes luxury suite, concessions and parking, arena sponsorship, signing and naming revenue and Canadian Currency Assistance Plan revenue when applicable

^bteam owns arena

Note. The data was calculated using *Kagan: The Business of Hockey 2001*, by Kagan, 2001, Carmel, CA: Kagan World Media. Copyright 2001 by KWM.

Table 11

*NHL Team Payrolls 2000-01 to 2002-03**(in millions of dollars)*

Team	2001	2002	2003
NYR	60.3	67.4	69.0
Detroit	55.4	65.9	68.0
Colorado	52.2	59.6	60.0
Dallas	51.0	50.5	62.0
Phoenix	47.1	32.9	45.0
Philadelphia	44.3	57.0	55.0
Toronto	43.1	48.9	55.0
Florida	42.7	30.6	33.0
St. Louis	42.4	57.5	63.0
Anaheim	41.6	35.8	39.0
Washington	41.3	40.6	51.0
Buffalo	39.6	32.4	31.0
Boston	38.2	41.3	37.0
LA	37.7	41.0	43.0
New Jersey	36.8	40.0	52.0
San Jose	36.4	48.3	48.0
Montreal	35.3	39.1	49.0

Team	2001	2002	2003
Chicago	34.3	42.0	44.0
Pittsburgh	32.6	32.5	31.0
Calgary	30.2	26.3	33.0
Vancouver	29.8	30.6	33.0
Ottawa	28.4	28.5	30.0
Carolina	28.3	32.4	38.0
Edmonton	28.1	25.9	31.0
NYI	25.3	35.2	42.0
Nashville	22.9	19.5	26.0
Columbus	22.3	20.8	29.0
Atlanta	21.8	20.4	26.0
Tampa Bay	21.0	25.8	29.0
Minnesota	16.9	18.0	21.0
Average	36.2	38.2	42.4

Note. The data in column 1 is from *Kagan: The Business of Hockey 2001* (p. 386), by Kagan, 2001, Carmel, CA: Kagan World Media. Copyright 2001 by KWM.

Note. The data in column 2 is from *2001-02 Team Payrolls*

(<http://www.infoplease.com/ipa/A0779885.html>). Copyright 2000-2003 by Family Education Network, Inc.

Note. The data in column 3 is from *NHL Salaries, 2002-2003*

(<http://www.faceoff.com/nhl/salaries/printer-salaries.html>.) Copyright 2003 Faceoff.com.

Table 12

*NHL Attendance by Percent Capacity**2000-01 to 2002-03*

Team	2001	2002	2003	Average
St. Louis	102.6	99.7	97.6	100.0
Toronto	102.3	102.5	102.2	102.3
Minnesota	101.5	102.2	102.4	102.0
Philadelphia	100.3	100.2	99.0	99.8
Colorado	100.0	100.0	100.0	100.0
NYR	100.0	99.1	99.7	99.6
San Jose	99.8	99.6	99.2	99.5
Detroit	99.7	100.0	100.0	99.9
Calgary	96.9	91.6	94.6	94.4
Columbus	96.3	100.0	97.8	98.0
Pittsburgh	96.3	92.3	87.0	91.9
Ottawa	96.2	91.5	93.0	93.6
Buffalo	95.5	92.1	73.5	87.0
Montreal	94.5	94.1	97.2	95.3
Edmonton	92.7	98.5	98.9	96.7
Nashville	92.5	86.4	77.3	85.4
Vancouver	92.4	96.1	99.9	96.1
Dallas	91.7	100.0	100.0	97.2

Team	2001	2002	2003	Average
LA	88.6	92.5	97.0	92.7
Boston	87.9	87.7	85.6	87.1
Phoenix	87.7	81.2	81.6	83.5
Washington	83.2	92.9	84.6	86.9
Atlanta	82.3	73.7	72.7	76.2
New Jersey	82.2	83.6	78.0	81.3
Anaheim	78.6	69.9	81.5	76.7
Florida	75.6	83.6	80.2	79.8
Tampa Bay	75.4	79.6	83.7	79.6
Chicago	73.2	75.9	72.2	73.8
Carolina	71.3	82.8	83.7	79.3
NYI	68.0	89.3	91.6	83.0
Average	90.2	91.3	90.4	90.6

Note. From *NHL Attendance Leaders* (<http://sports.espn.go.com/nhl/attendance>).

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Table 13

*NHL Revenue Sharing Plans Using 2000-01 Total Revenue Figures**(in millions of dollars)*

Team	Revenue	Shared ^a	34% Shared	40% Shared	Shared ^a w. tax	34% w. tax	40% w. tax
Toronto	106.9	95.3	93.7	91.3	93.1	91.5	89.2
NYR	94.4	90.0	85.4	83.8	85.8	81.2	79.6
Philadelphia	91.5	87.3	83.5	82.1	85.1	81.3	79.9
Dallas	86.8	80.8	80.4	79.3	77.2	76.8	75.7
Detroit	85.0	80.7	79.2	78.2	76.8	75.3	74.3
Colorado	84.1	78.2	78.6	77.7	74.5	75.0	74.0
LA	81.9	82.2	77.2	76.3	81.8	76.8	76.0
Montreal	79.2	78.2	75.4	74.7	80.4	77.6	76.9
Chicago	77.1	80.0	74.0	73.5	82.2	76.2	75.7
St. Louis	76.9	74.8	73.9	73.3	73.5	72.6	72.1
Boston	73.8	73.1	71.8	71.5	72.7	71.4	71.1
Minnesota	71.6	69.2	70.4	70.2	71.4	72.5	72.4
San Jose	66.1	67.0	66.7	66.9	66.6	66.4	66.5
Vancouver	65.8	66.3	66.5	66.7	68.4	68.7	68.9
Atlanta	64.5	64.9	65.7	65.9	67.1	67.9	68.1
Anaheim	62.3	62.8	64.2	64.6	61.6	63.0	63.3
Pittsburgh	60.6	60.7	63.1	63.6	62.9	65.3	65.8

Team	Revenue	Shared ^a	34% Shared	40% Shared	Shared ^a w. tax	34% w. tax	40% w. tax
Tampa Bay	60.0	62.0	62.7	63.2	64.2	64.9	65.4
New Jersey	59.5	60.7	62.4	62.9	60.4	62.0	62.5
Buffalo	59.2	61.8	62.2	62.7	60.6	61.0	61.5
Washington	58.4	61.2	61.6	62.2	60.0	60.4	61.0
Nashville	57.4	59.3	61.0	61.6	61.5	63.2	63.8
NYI	56.1	58.5	60.1	60.9	60.7	62.3	63.1
Florida	55.6	58.6	59.8	60.6	56.5	57.7	58.4
Columbus	55.2	55.8	59.5	60.3	58.0	61.7	62.5
Ottawa	53.5	56.0	58.4	59.3	58.2	60.6	61.5
Phoenix	52.5	56.3	57.8	58.7	53.9	55.4	56.3
Carolina	49.2	53.9	55.6	56.7	56.1	57.8	58.9
Edmonton	48.6	52.4	55.2	56.4	54.6	57.4	58.6
Calgary	46.9	52.5	54.1	55.3	54.7	56.2	57.5

^aSharing based on 50% of local media from each team and 60-40 home-visitor gate sharing scheme after 15% deducted from home side for administration purposes.

Note. The data was calculated using *Kagan: The Business of Hockey 2001*, by Kagan, 2001, Carmel, CA: Kagan World Media. Copyright 2001 by KWM.

Table 14

*NHL Revenue Fluctuations as Attendance**Increases Using 1999-00 Revenue**Figures (in millions of dollars)*

Team	Revenue	Shared ^a	Shared ^a 100% Att
Toronto	97.4	84.9	82.7
NYR	90.6	85.9	83.9
Philadelphia	84.1	80.4	79.5
Detroit	79.1	74.7	74.0
Colorado	78.8	73.0	71.9
Montreal	77.1	72.9	73.7
LA	76.0	76.7	78.7
Chicago	73.8	76.3	82.7
Dallas	73.1	66.8	66.9
Boston	73.1	70.4	72.1
Atlanta	69.5	67.4	68.8
St. Louis	69.3	66.5	69.0
San Jose	59.1	60.2	61.1
Nashville	58.6	59.4	61.2
Anaheim	58.5	56.7	60.6
Florida	54.9	57.8	61.6

Team	Revenue	Shared ^a	Shared ^a 100% Att
Vancouver	54.6	56.8	61.7
Buffalo	54.0	56.8	58.8
Pittsburgh	53.3	54.1	57.3
Washington	53.1	55.8	61.9
New Jersey	52.9	54.8	59.6
Tampa Bay	50.6	54.0	61.0
NYI	50.6	52.1	60.2
Phoenix	50.3	52.7	55.5
Carolina	47.6	51.3	59.6
Ottawa	47.1	50.5	52.5
Edmonton	44.9	48.0	51.0
Calgary	36.3	43.4	47.2

^aSharing based on 50% of local media from each team and 60-40 home-visitor gate sharing scheme after 15% deducted from home side for administration purposes.

Note. The data was calculated using *Kagan: The Business of Hockey 2001*, by Kagan, 2001, Carmel, CA: Kagan World Media. Copyright 2001 by KWM

Table D1

Average NHL Ticket

Price in 2000-01

Team	Price(\$)
Toronto	67.01
NYR	65.82
Colorado	63.11
Philadelphia	62.31
Dallas	56.43
LA	54.03
Detroit	52.39
Atlanta	51.29
New Jersey	51.12
Anaheim	50.66
Boston	49.36
Minnesota	49.26
Columbus	48.65
Pittsburgh	48.45
Florida	47.71
Chicago	47.57
San Jose	47.22
Vancouver	46.80
St. Louis	45.02

Team	Price(\$)
Nashville	43.48
Ottawa	43.05
Carolina	41.26
Tampa Bay	40.56
Buffalo	40.39
Phoenix	38.73
Washington	38.42
Montreal	38.36
Edmonton	34.85
NYI	34.68
Calgary	32.86
Average	47.70

Note. From *Kagan: The Business of Hockey 2001* (p. 483), by Kagan 2001,

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Table D2

*2001 NHL Luxury Suites by Number, Prices**(in thousands) and 2001 Revenue (in millions)*

Team	Number	low	high	Revenue
Chicago	216	60.0	300.0	19.4
Philadelphia	126	81.5	170.0	15.8
LA	160	197.5	307.5	13.5
NYR	89	400.0	400.0	11.9
Toronto	152	53.6	234.5	10.9
Montreal	135	57.6	93.8	10.2
Tampa Bay	80	125.0	150.0	10.2
St. Louis	91	71.0	150.0	10.1
Boston	108	181.0	280.0	10.0
Detroit	83	100.0	140.0	9.3
Atlanta	90	135.0	225.0	8.1
Minnesota	74	75.0	140.0	8.0
Columbus	74	58.5	138.5	7.3
Nashville	72	80.0	120.0	7.2
Carolina	58	100.0	140.0	7.0
Florida	74	70.0	120.0	7.0
Colorado	95	90.0	185.0	6.5
Buffalo	80	55.0	100.0	6.2

Team	Number	low	high	Revenue
San Jose	65	82.0	150.0	6.0
Washington	110	110.0	200.0	5.7
NYI	32	84.0	260.0	5.0
Anaheim	84	86.0	140.0	4.7
Vancouver	88	67.0	127.3	4.3
Phoenix	88	43.0	48.0	4.0
Pittsburgh	54	72.5	87.5	2.2
New Jersey	29	170.0	229.0	2.0
Calgary	72	26.8	83.8	1.6
Edmonton	66	21.8	83.8	1.0
Ottawa	147	44.2	83.8	0.9
Dallas	0	0.0	0.0	0.0

Note. From *Kagan: The Business of Hockey 2001* (pp. 495-496), by Kagan 2001, Carmel, CA: Kagan World Media. Copyright 2001 by KWM.

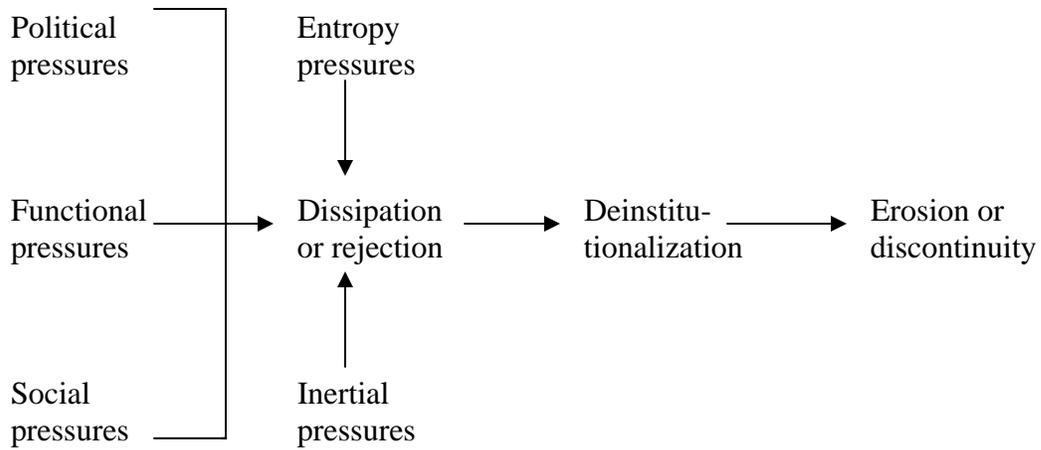


Figure 1. Pressures for Deinstitutionalization

Note. From “The Antecedents of Deinstitutionalization,” by C. Oliver, 1992,

Organization Studies, 13, 4, p. 567. Copyright 1992 EGOS.