

Following The Money

Written by {ga=gdbenz}

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There was a time not all that long ago when old white men bought sports teams for the pure ego and hobby of it. That era was characterized mostly by the alarming lack of business acumen these owners brought to their hobby. Whatever rigor they applied to their "real" businesses, the ones that made them all the dough, was thrown out the window when they dabbled in sports.

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But this didn't necessarily cause them any great concern because the value of their teams continued to climb ever higher, seemingly defying all the laws of economics. Owning a sports team became the ultimate boom enterprise. But the downside, at least from a fan's perspective, is that the economic health of their sports eventually grew worse. Most owners, more interested in stroking their egos than making good business decisions with their teams, wouldn't hesitate to sign the next great superstar to an even more outrageous contract than the last great superstar. Ticket prices rose.

But eventually a different breed of owner started making their way into pro sports. Buying at ever increasing prices and taking on the kind of crushing debt that made the old white guys shake their heads, this breed grew up on budgets and business plans and didn't see any reason not to translate that into their sports properties. Indeed, it was a necessity. This breed has no less of a desire to win than their forbearers; it's just that given what they paid for their team, they aren't as comfortable dipping into their personal fortunes any further in order to meet their debt payments, let alone such trivial matters as player acquisition expenses.

Zell and Jones are two such owners. Zell is a somewhat reluctant owner of the Cubs, having acquired them when he purchased the Tribune Co., the Cubs' previous owner, last April for more than \$8 billion. Zell's interest seemed, at least at the time, much more focused on the media properties under the Tribune banner and not, necessarily the Cubs.

Most expect Zell to sell the Cubs sooner rather than later if only to retire some of the massive debt he took on to buy the Tribune Co. in the first place. But Zell is letting it be known now that he will sell the Cubs when he's good and ready and, by the way, he plans to maximize his recovery by selling the Cubs and Wrigley Field separately.

There is good reason for Zell to wait and to sell separately. According to Forbes, the value of the Cubs franchise has been increasing at an average annual rate of 14% and increased a whopping 32% just between 2005 and 2006, not atypical

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figures whatsoever in either baseball or football. Needing money is one thing, but given these returns it compels Zell to wait a little longer to sell. In the meantime, why not create a tidy little revenue stream by selling the naming rights to one of the most famous stadiums in the world? For an owner more interested in money than history, it makes perfect sense.

For the baseball purist out there, Zell's plans may be sacrilege but don't blame Zell. Baseball's ownership fraternity has never been all that keen on sharing revenue among themselves and thus it's not a surprise that left to their own devices things like this would happen. With baseball having created an economic mess of itself for the last several years with no appreciable end in sight, now is hardly the time to begrudge even Sam Zell from making a little more money on the backs of fans. There are much bigger issues to solve in that sport first.

At first blush, it seems that's what Jones and at least 23 other of his fellow owners are trying to do by opting out of the labor contract early, solving the big problems. Under its terms, the NFL's collective bargaining agreement is supposed to expire after the 2012 season. But either the owners or the union can opt out of the final two years by giving notice by November 8th of this year. If that occurs, 2010 becomes the final year of the contract and it would be sans a salary cap.

But lest anyone think that this tactic has anything to do with eradicating the sport of a salary cap, think again. Though the owners once fought the concept, the presence of a salary cap does, from their perspective, achieve the desired result by acting as a sort of lifeline or net to those among them who would otherwise try to scale a mountain they have no business climbing in the first place.

What Jones and his brethren really want is a re-working of the cap. It's no secret that the owners feel that the current collective bargaining agreement, which was actually an extension of the previous contract,

was rammed down their throats by then commissioner Paul Tagliabue after several months of hard bargaining with the union. In fact, it's not a coincidence that Tagliabue's retirement announcement came just days after the contract was signed. He knew he had lost the support of many of the owners.

It's not hard to see why. Putting aside the contract's complexity just know that in 2010, assuming the contract were to stay in place, the players share of projected total revenues (itself an incredibly complex calculation) rises to 58%. That's a pretty long arm into the owners' rather deep pockets. Keep in mind, too, that the definition of total revenues was further expanded so that virtually any income that the owners generate gets included in the calculation.

Ever since Jones bought the Cowboys in 1989, he's been trying to find ways to increase his own bottom line. When he tried striking his own marketing deals built off the Cowboys brand, he got cut off at the pass. Since then he's been working from inside with an ever-changing fraternity that used to see him as a no-nothing maverick. Now he has the ears of a majority of owners who see the players getting an ever bigger piece of what they consider to be their pie. And the bigger the piece that goes to the players, the less that goes to the owners, many of whom are juggling huge debt.

None of this makes Jones or any of the other owners bad guys, but it does set football up for the kind of labor disharmony that is at the root of some of baseball's biggest problems, including the lack of a legitimate, wide-ranging drug testing program. Upshaw has vowed that if the cap comes off, it will never return, a big promise that he probably can't keep. Football owners aren't quite the patsies that permeate baseball's

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ownership ranks.

Whether Zell ultimately sells the naming rights to Wrigley Field and whether there is a period of labor unrest in football ultimately are just the visible and transient outcomes of a larger unspoken issue. But all you need to remember when trying to connect the seemingly unrelated dots in such matters is what the "Deep Throat" character kept telling Robert Redford's Bob Woodward character in *All the President's Men*: follow the money.