Fast FACTS
CANADIAN CENTRE FOR POLICY ALTERNATIVES – MANITOBA

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Which Side Are You On?

"The owners can basically be viewed as the Ranch, and the players, and me included, are the cattle. The owners own the Ranch and allow the players to eat there. That's the way it's always been and that's the way it will be forever. And the owners simply aren't going to let a union push them around. It's not going to happen." Red Wings executive Jim Devellano, September 20, 2012

It really will be a winter of discontent for hockey fans if the NHL lockout eats into a big chunk (or, God forbid, all) of the season. As with all great tragedies, the aggrieved parties are wondering just who is to blame. The choice is difficult because neither side is an obvious object of sympathy. The twenty five year old jocks who are the workers in this dispute earned an average $2.45 million last year – more than 60 times the wage of the average fan who pay hefty ticket prices to see them perform. Moreover, the sense of worker solidarity, at least amongst some, is questionable given their readiness to displace their fellow workers in Europe. On the other side we have the billionaire corporate moguls (featuring such cuddly figures as Flyer owner and Ayn Rand devotee Ed Snider who was the executive producer of a movie version of Atlas Shrugged) and their less than charismatic commissioner Gary Bettman (annual salary $7.98 million).

The position of the owners is that they cannot continue with the current "business model" because player salaries are threatening the existence of small market teams. This is the owners' strongest claim in their battle for the hearts of the fans. And indeed, the claim has some substance. According to the yearly Forbes valuation of NHL franchises, 18 of 30 teams lost money in 2010-2011.The "obvious" way to improve the odds of survival of an unprofitable franchise is to pay its workers less. The Winnipeg Free Press ran a column on September 13 claiming that "For the owners of the Jets and their fans, a lockout will hurt in terms of today. But if history repeats itself, the owners will get what it wants (sic) and that will likely be good for the Jets franchise and its fans."

Despite the owners' attempts to convince us that franchise survival is at stake if they cannot win in this lock out, a glance at the labour relations history in sports reveals another story. The current battle with the players is more accurately understood as the latest round in a very long running struggle to restrict player salaries. Historically, team owners, like their more industrially-oriented fellow employers, used every ounce of their power against their workers before the formation of the players' union. Salaries were held uncompetitively low by the notorious "reserve clause" that prohibited players from bargaining with other teams when their contract expired. When players attempted to improve their lot, they were rapidly disciplined by old school employers. Despite being one of the league's top forwards in the late 1950s, when Ted Lindsay tried to start a player's union he was stripped of the captaincy of the powerhouse Red Wings and traded to the cellar dwelling Blackhawks. Another driving force behind the bid for a union, Montreal's

there is an alternative.

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Doug Harvey, was traded to the Rangers.

Despite these heavy-handed tactics, the players persevered and eventually formed a union to protect their rights. They have made considerable gains as a result, but the 2004 lock out, in which the owners won a hard cap on salaries and a 24% wage rollback, highlighted the power imbalance between owners and workers. The average NHL career lasts a scant 5.5 years, meaning that any significant time off will cost players a sizeable portion of their lifetime earnings. In these conflicts the power still lies with the owners who can afford to be much more patient, knowing that they have years to recoup any income losses incurred during a lockout.

The owners' statement of the problem and its solution is misleading and simplistic. In fact, the league as a whole was profitable in 2010-11. While the poorest twenty seven teams (out of a league total of 30) were a combined $44 million in the red, $24 million of this was lost by Phoenix as a result of a disastrous league decision to hang onto that franchise. The three highest earning teams (Leafs, Rangers and Canadiens) combined for an operating income of $171 million. In other words, the NHL's real problem is that its income is very unevenly distributed. The NHL (along with the NBA) has the weakest revenue sharing provisions in North American sport. In contrast, the NFL not only shares broadcast revenue equally between all the teams in the league but also money from ticket sales. Forty percent of gate revenue goes into a league pool that is shared evenly. If the NHL were really worried about the survival of small markets, this type of redistribution would solve the problem. In the NFL, the small market Green Bay Packers can compete financially with the big market New York Jets.

Owners are asking players to sacrifice for the stability of small market teams, but redistributing money between the owners would achieve the same goal. The owners prefer the salary cutting option, of course, because it would transfer money to all of the owners, including those that are already making great piles of cash, while revenue sharing would reduce the profits of the high earners in the league. When it comes to dividing up the $3.3 billion of revenue between owners and players perhaps the owners should get their own house in order before asking for sacrifices from the players.

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