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News in Review

March 2000

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The Senators: Selling the Home Team

As we have seen in previous News in Review stories, business and sport are inextricably linked and subject to the same market forces and market realities as other businesses. This story, which focuses on the Ottawa Senators, also examines the medium-market sport franchises of Canada's national game in Quebec City, Winnipeg, and Edmonton. The role of government subsidies for businesses, in this case professional sport organizations, is the controversial issue at the heart of the story. And once again the issue of national and cultural identity is an underlying theme.

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Introduction

The Senators: Selling the Home Team

Montreal without Les Canadiens would be like New York without the Yankees, Dallas without the Cowboys or Manchester without United. So read the lead to an editorial by Matthew Fisher in the March 15, 1999, issue of the Ottawa Sun. At the time, there were troubling signs from five of Canada's six NHL teams: the Calgary Flames, the Edmonton Oilers, the Vancouver Canucks, the venerable Montreal Canadiens, and the Ottawa Senators. Owners claimed that spiraling salaries, a weak Canadian dollar, and larger tax payouts put the Canadian franchises at a considerable financial disadvantage when trying to keep up with the U.S. teams. Two Canadian clubs, the Winnipeg Jets and the Quebec Nordiques had already moved to the U.S. in 1995, and Edmonton came close to moving in 1998. Now, Rod Bryden, owner of the Ottawa Senators served notice that he would also sell up if some sort of aid is not forthcoming from the different levels of government. And if the Senators went then it would not be unimaginable that several of the other teams might go as well.

Bryden says his team has lost more than \$30-million since it started, despite an efficient operation and the fact that the Senators are a top-ranked team. Having done all he could to fix the problem from his end, Bryden has asked for concessions on taxes, and even for subsidies, so his team could be competitive with the U.S. NHL franchises. Although he gained \$2.8-million in annual tax cuts from local regional authorities, he is holding out for an additional \$3-million in federal government assistance.

Bryden has served notice that without federal help, he will entertain offers from eager suitors like Portland, Houston, or Cleveland.

For many Canadians and others, like the American Association for Canadian Studies who study Canadian history and culture, hockey is at the core of our national psyche. Hockey is considered to be the defining Canadian sport, a cultural icon. In the wake of the threat of the Senators moving south, politicians, newspaper reporters, sports stars, and a host of other Canadians agreed that something had to be done to save not only this particular team but the professional game of hockey itself in Canada. The federal government already had in hand the 1998 Mills Report, the work of a House of Commons subcommittee on sports, chaired by Dennis Mills. That report recommended subsidies to help keep the NHL healthy and in Canada. John Manley, Minister of Industry, therefore introduced a package on January 19, 2000, earmarking \$20-million per year over four years to help troubled Canadian teams. The money was to be augmented by monies from local and provincial governments and from the NHL itself.

Seventy-two hours later, Manley was forced to perform an embarrassing about-face and retract the offer; the response from all levels of Canadian society was overwhelmingly negative and even vitriolic. Although most Canadians want the NHL teams to stay, the majority do not agree with using public money to support privately owned teams. This feeling is exacerbated by the perception that NHL players and owners are already millionaires and that their problems were created by over-expansion and foolishly high salary contracts. Canadians seem to be suggesting that it is up to the NHL to solve its own problems, since many U.S. teams are struggling financially as well. Will the NHL carry through with its threats to move more teams to the U.S. or will the professional game be saved at the eleventh hour by an internal remedy? Whatever the outcome, the Canadian people have indicated that it will not be at public expense.

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Goals and Assists

The Senators: Selling the Home Team

Although its prime goal is the perpetuation of the sport, the National Hockey League, unlike amateur hockey, is a multimillion dollar industry supported primarily through commercial means: ticket sales, television broadcast rights, advertising sales, and related products. Government financial assistance has not been the norm because the NHL is a business that operates on a profit basis like any other business. The issue of federal aid to the NHL, however, was addressed by a House of Commons subcommittee chaired by Liberal MP Dennis Mills. The subcommittee released its report initially in December of 1998. The report noted that sport in Canada is a \$9-billion-a-year industry that employs 260 000 people and pays tens of millions of dollars annually in taxes. It contended that supporting professional sports has an economic benefit to Canadians, and at that time recommended providing subsidies to the NHL teams that required aid. A similar grant package of \$50-million was made by Heritage Minister Sheila Copps in December 1999 for publishers of Canadian magazines. In the latter situation, Canadians did not react strongly; there were no protests. Why then was the reaction to John Manley's proposal in January 2000 to provide \$20-million to the NHL so vociferous?

Whether you agree with the government's subsidizing the NHL or not, as you watch this New in Review report, use the questions below to help you gain some perspective, to see this issue in more depth, to consider why it might not just be a question of a

government grant to a professional sports organization, and to understand why it is a complex financial issue that involves the general public in a number of ways.

1. What images in the video suggest Canadians love for hockey?
2. According to the owners, why are Canadian teams at a disadvantage financially?
3. What Canadian teams have already moved to the U.S.? To which cities did they move?
4. What images indicate that Americans, at least in the south of the U.S. know very little about hockey? Are these fair assessments of what Americans know about hockey?
5. Does Rod Bryden, owner of the Senators, present himself and his case well? What might sway you to his side of the argument? What challenging questions might you ask him if you were a journalist covering this story?
6. There are numerous critics of John Manley's proposal and of the Mills Report. What did you see or hear that would sway you to this side? How might you refute the thrust of these positions?
7. Rod Bryden, owner of the Ottawa Senators, also owns the Corel Centre, which, like the Air Canada Centre, the Molson Centre and other major hockey venues, is dependent on large-scale events to fill the seats and pay the bills. What is the significance of this fact?

In the end, most Canadians rejected the proposal to support the NHL teams with federal money. John Manley retracted his offer, leaving the Ottawa Senators and the other Canadian teams to find other means to improve their financial situation. Not surprisingly, Rod Bryden has raised ticket prices and tried to sell more season tickets, but he and the Ottawa Senators are staying put for now.

Follow-up Discussion

1. How does the information contained in Manley's report affect your decision? What suggestions would you make to Bryden and other NHL owners to help them solve their problems? What suggestions would you make to federal, provincial, and municipal politicians?
2. At one point in the report, John Manley says, "I'm not calling it extortion." What is the meaning of the word extortion? How does it apply in this case? John Manley may not call it extortion, but others have suggested it. What word would you use to describe Manley's proposal? Explain your choice.

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The Cultural Implications

The Senators: Selling the Home Team

When asked his opinion about the state of professional hockey in Canada, Bernard Brisset, vice-president of marketing and communications for the Montreal Canadiens, had this to say: This is our national game, and something must be done to help it. (Time magazine, December 15, 1999). Despite how Canadians feel about the Liberals' plan to subsidize hockey franchises, many felt that the game had to be saved. Brisset's comments may stem in part from the fact that the Canadiens, traditionally one of the wealthier teams, lost \$1.6-million in the 1998-99 season. Five of the six Canadian franchises are experiencing financial problems to some degree. Only the Toronto Maple Leafs can feel confident regarding their long-term existence. This crisis, whether real or manufactured, has created anxiety and discussion among Canadians more so than the reactions to other important issues such as homelessness or the state of health care. Rod Bryden's threat to move the Senators to a U.S. city, as the Winnipeg Jets and the Quebec Nordiques have already done, has had the effect of escalating the concern in many people's minds. Basketball's Vancouver Grizzlies and baseball's Montreal Expos have also threatened to leave Canada, but it seems to be hockey that really upsets people. Hockey is after all our national game. Or is it?

What's in a Game?

Working in small groups, brainstorm answers to the following

questions:

Canadians have talked about hockey being our national game for so long, we may have lost sight of why we believe this. Why is hockey considered to be a Canadian game? Suggest other sports or games that are defined culturally, that is, ones that seem to be closely associated with a national identity. Consider for example: baseball, cricket, soccer, martial arts, cycling. Why would any nation define itself in terms of its game or games? What does this tell you about the nature of a national culture? What does the fact that hockey has been said to be the Canadian game tell you about Canadian culture? What historical and factual information is relevant in this regard?

Southern Exposure

Although four of the original six NHL teams were based in U.S. cities, there was never the feeling that the league was American. Even through the expansion years hockey still felt like a Canadian export no matter which U.S. city started a team. Most players were Canadian, as were the best players in the game. Change, and an enormous outpouring of public sentiment, occurred, however, when Wayne Gretzky was traded from Edmonton to Los Angeles in 1988. Number 99 caught the imagination of U.S. sports fans who had previously ignored hockey. Los Angeles began selling out its games, and television coverage of hockey and the subsequent ratings went up. As the money began flowing, more teams were created, some in places unfamiliar with ice. Sunbelt cities like San Jose, Anaheim, Phoenix, Dallas, and Tampa Bay all were awarded franchises by the NHL. As a result, if the Ottawa Senators or any other teams move south, then the NHL will resemble the NBA or professional baseball, with only token Canadian representation in the professional side of the sport.

The composition of the teams is changing as well. Where once U.S. teams were composed primarily of Canadian players, the proportion is now barely more than 50 percent. The U.S. and European junior systems are producing good players in large numbers, especially now that there are more professional teams to serve as models. Today, a greater proportion of the superstars appear to be coming from Europe, Russia, or the U.S.

Discussion

Has the nature of the game changed as Americans have become more interested? For some diehard Canadian fans, this was never so obvious as when the Fox television network experimented electronically by digitally causing the puck to glow on-screen and display a blue trail, ostensibly to make the game

easier to follow for viewers in this case American viewers. In your opinion, are there other changes to the rules, to the style of play, or to the way the game is marketed or broadcast that suggest that the game is less Canadian than it once was? If you have seen changes, do they improve the sport or the viewing of it? Do they Americanize a Canadian institution?

Economic Realities and Alternative Marketing

Another problem with Canada's national sport is that it has become very expensive to play or to watch. Taking a family of four to a game might cost over \$200 for the seats alone. When parking, refreshments, and souvenirs are factored in, watching professional hockey in a major arena is not an activity in which many fans can regularly indulge. This is not just a Canadian problem; the market forces affecting professional hockey transcend national boundaries. While American franchises have sprouted across the U.S., many professional teams have struggled. The Phoenix Coyotes, formerly the Winnipeg Jets, have lost \$10-million. While part of the problem is spiraling costs from new arenas and high salaries, another part is that many Americans are also staying away from games because of the high ticket prices. Yet, minor-league hockey is flourishing, even in the southern states. Louisiana's Lafayette IceGators average 9800 spectators per game in an arena built to hold 11 000. In Greensboro, North Carolina, locals have supported minor league teams in the past, but are avoiding the NHL's Carolina Hurricanes. Affordability is a primary consideration, and Canadians and Americans alike are switching their allegiances to minor-league teams.

Canadians are also switching allegiances to other sports altogether. For Americans, hockey is still only one choice among many sports. For traditional Canadian hockey fans, switching from hockey to another sport involves strong motivation. One problem is again the cost, but now it is also the cost of playing that is becoming prohibitive. The costs of equipping a growing child who wants to play hockey is beyond the means of many Canadians. The price of hockey equipment can amount to hundreds of dollars. Equipping a child to play soccer, swimming or baseball, on the other hand, is much cheaper.

Another and perhaps more disturbing problem might be the over-expansion of the game. There are so many new teams and players that many critics say that the calibre of play has suffered, the season is too long, and the games are less meaningful. When there were only six teams, hockey fans knew almost every player. Now there are 27 teams, which even diehard fans find difficult to track. Identification with the game and with the players

has changed significantly. The new geographic divisions contain many franchises with no hockey history and little real rivalry, as was seen in the past. Recalling a kind of hockey that once was, a Leafs-Canadiens game still resonates with decades of fierce competition; this too was very much a part of the traditional hockey culture in Canada. When the Carolina Hurricanes play the Florida Panthers, however, there is little interest, especially outside those two cities. In North Carolina, just over 10 000 showed up for this match-up despite the fact that the Hurricanes were contending for a playoff spot and superstar Pavel Bure plays with the Panthers.

This is a problem that cuts across all the major league sports. While there are still large concentrations of loyal fans, the increasing costs of attending games and what many call the dilution of the product have turned some fans away. Furthermore, prospective young fans may not get hooked in the first place. One indicator of this is the increasing popularity of sports that previously received little attention in North America. For example, more young Canadians sign up to play soccer now than hockey. Canada's surprising Gold Cup (soccer) Tournament performance, where our team upset Mexico and Trinidad and Tobago, can only fuel this trend. Canadians are also rediscovering lacrosse (Canada's official national sport). On the same weekend that the Carolina Panthers played before 10 000 fans, the Toronto Rock beat the Buffalo Bandits in front of 14 000 spectators during a regular-season game. The difference according to the fans seems to be the excitement of the play and the fact that you can purchase a ticket for only \$10.

Follow-up Discussion

1. To what extent might the expansion of the NHL, into the U.S. especially, have passed a tipping point? From the point of view of fans, did the sport get out of control?
2. Is this expanding commercial-professional hockey phenomenon a natural occurrence like other economic trends such as globalization? In order for any business to flourish, does one have to go where the business is, to the big time? Is this a natural cycle in the life of professional hockey in an increasingly continentalized North American culture?
3. Is this analogous to other cultural industries like film? Is this another example of a cultural brain drain?
4. Is there evidence that hockey is actually reinventing itself in Canada at a more grassroots level?
5. Could or should this situation have been predicted? What media factors or other marketing forces might quite logically have created the situation we see today in professional hockey?
6. Should the nature of the game depend on hockey history and

rivalries between cities as that which existed between Toronto and Montreal? Is this a healthy situation? Is such consumer behaviour productive, reasonable, or logical? What might this say about the nature of the sport? About Canadian history?

7. If professional hockey in Canada becomes less of an event than it was in the past, will you feel less Canadian? Will you have lost part of your national identity?

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The Salary Trap

The Senators: Selling the Home Team

In 1930, when a reporter asked Babe Ruth if it was unseemly that his \$80 000 salary was greater than that of Herbert Hoover, then president of the United States, he retorted, Why not? I had a better year than he did. In those innocent times, most professional athletes did not make much money, let alone more than the most powerful person in the United States, and some would say the world. In today's sports marketplace however, the lowliest apprentice in any major professional sport makes more than the U.S. president.

Many consider the superstars of yesterday to have been underpaid, especially by today's standards. Mickey Mantle, Rocket Richard, or Jackie Robinson would all receive multimillion-dollar contracts if they played in today's arenas. Up until the 1970s, salary caps and the low number of franchises meant that owners could control how much they spent on players. If a player did not like his salary or playing conditions, he could either persevere quietly or quit the game. There was nowhere else to go. When the NHL, the NBA, and professional baseball began expanding in order to gain the exorbitant franchise fees, they also added hungry competitors into the marketplace. Owners eager to recoup their investments began to bid up salaries in order to lure marquee players to their cities. Seemingly unfettered from considerations like loyalty or success, star athletes began moving to teams with the most lucrative offers.

A parallel problem was created at the same time by the move on the part of most leagues to what is known as free agency. Players who are free agents may sell their talents to the team that offers the largest salary. Players become free after playing a certain number of years under contract with one club. Prior to the 1970s, teams for the most part owned their players. Owners often practised collusion, secret agreements to refuse contracts to players who wanted to be traded or who wanted higher salaries. Baseball owners were forced by the U.S. Supreme Court to allow free agency in 1976. The effect was a drastic increase in player salaries. Ken Burns, director of the epic documentary *Baseball*, noted: In 1869, Harry Wright, manager and outfielder for the Cincinnati Red Stockings, made seven times the average working man's wage. In 1976, 107 years later, a ballplayer had still made just eight times the average person's salary. But by 1994, the average major leaguer's salary would be nearly 50 times that of the average American. Superstars are paid more than \$5-million a season; ordinary players more than \$2-million.

In 1995, the minimum salary for players in the NBA was \$200 000, and the average salary in the NHL was more than \$700 000. In 1996, \$100-million contracts became part of professional sports. The new mark of respect was how much money you were offered in relation to what other star players made. Top draft picks in the NBA often receive signing bonuses of \$1-million before they have even proven themselves. As long as profits from ticket sales, broadcast rights, merchandise, food, and luxury suites kept pouring in, there seemed to be no limit to the salary increases.

The Gridiron Solution

Spiraling salaries have pushed baseball teams like the Minnesota Twins or basketball teams like the Vancouver Grizzlies to the point of insolvency. All of the major sports have examples of superstars scoring astronomical financial packages. Pitcher Kevin Brown signed with the Los Angeles Dodgers for \$15-million per year. Basketball players routinely obtain contracts of tens of millions of dollars per year over long periods. A shocking example of salary largesse in hockey was when the Pittsburgh Penguins owed so much back salary to Mario Lemieux that he essentially acquired the team as partial compensation. Lemieux and other superstars aside, hockey is in the worst trouble of the major sports. According to reporter Jim Hunt, writing in the *Toronto Sun* (January 24, 2000), The NHL pays 72 per cent of its total revenue in salaries to the players. The NBA gives the players 55 per cent; the filthy rich NFL a

mere 51 per cent.

Although many Canadian hockey teams have threatened to move to other cities (as have the Montreal Expos), it is apparent that the problem is better defined as a conflict between big-market and small-market cities than one between U.S. and Canadian teams. Teams that are located in large television audience areas such as New York, Toronto, or Los Angeles secure greater amounts of income through broadcasting contracts. Player salaries in general rise as these teams outbid the smaller markets. Consequently, running a team, let alone a championship contender, becomes ever more expensive.

The one major professional sport that has avoided the ruinous pattern of large payouts to players is the NFL. While it does have its share of multimillion dollar contracts, it also has a system of income parity among the franchises. Teams share the \$17.6-billion (U.S.) over eight years from the NFL's television broadcast contracts. Another levelling feature is that ticket revenues are split 60/40 between home teams and the visitors. In addition salaries are capped for most players. The net result is that small-market teams can field top-ranked, exciting teams that can outperform the big-market teams. Green Bay, Wisconsin, has a population of about 100 000 and the smallest media market of all the football franchises. It outplayed teams like the New York Giants throughout the 1990s. The 1999-2000 season is proof that this system works. The Super Bowl featured the Tennessee Titans and the St. Louis Rams, both recent transplants from larger cities (Houston and Los Angeles respectively). They are also both small media markets: St. Louis is the 21st-largest TV market in the U.S. and Nashville is the 30th. The irony this past season was that because the big-market teams' hold on television audiences is so strong, many Americans did not see either team play until the playoffs. In hockey, baseball, or basketball it is almost unimaginable for small teams to produce such powerful contenders.

Discussion

1. The NHL collective bargaining agreement expires in 2004. Rod Bryden, owner of the Ottawa Senators, and some of the other owners have hinted that a new agreement with a salary cap and a revenue-sharing plan similar to that of the NFL is a possibility. Would this be enough to protect teams like Edmonton or Ottawa? What obstacles may stand in the way of such an agreement?
2. Is this economic situation an example of over-consumption? Can markets grow beyond the point where they are no longer consumer-driven but exist within and for themselves? Have we seen other examples in North America of a similar economic

phenomenon?

3. Why is it important to understand the economics of the NHL?
What transferable skills can we acquire by studying this aspect of Canada's national game?

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Amateur Sports Shortchanged?

The Senators: Selling the Home Team

Sport has always played a significant role in nations and civilizations. What should be the role of amateur sport in Canada today? Discuss this issue as a class after reading the following information.

Professional hockey in Canada grew out of a passion for the sport by ordinary Canadians who played as amateurs on backyard rinks, on local ponds, and in local arenas. The growth of the amateur leagues has also contributed to the state of the professional sport today. Amateur sports in general provide the first home teams in which future professional athletes develop and hone their skills. The Canadian government's financial support of amateur sports, however, has been in decline in recent years. According to an article titled "Sports Funding" by James Christie in the January 19, 2000, issue of *The Globe and Mail*, over the past five years of deficit fighting, the funding for amateur sport shrank by 25 per cent. Critics of reduced government spending in these areas say that budget cuts have forced amateur athletes to sacrifice programs, use inadequate equipment, or in some cases abandon Canada altogether. Most athletes have simply suffered quietly, persevering to pursue their personal goals and to bring some pride to Canada at international competitions. However, when the government first announced its plans to subsidize struggling professional NHL franchises, many Canadians cried foul.

Glenroy Gilbert, a Canadian sprinter who won an Olympic gold in 1996, was not pleased with the announcement. He recounted in a Toronto Star interview how he had lived on \$450 to \$810 a month for 13 or 14 years. The maximum a carded Olympic athlete in Canada is allowed is \$850 per month. In most areas of Canada that would barely cover the rent, let alone allow an athlete the comfort level necessary to develop his or her abilities. Many amateur athletes must divide their attention between sport, jobs, and fund-raising to buy equipment and transportation.

In a statement to the Canadian Press, Susan Dandenault, a member of Canada's women's weightlifting team from Winnipeg, illustrated this dilemma. Dandenault, who receives no federal assistance because she is not a nationally carded athlete is quoted as saying:

I work for the Manitoba Weightlifting Association, I do personal training and I'm tutoring kids on the side to make ends meet . . . But I also had to pay \$2200 out of my own pocket to compete at the world championship last year in Athens. Sometimes you have to wonder, Is it really worth it? Then you have moments where you walk in the opening ceremonies at the Pan Am Games, which were held in my home town last year, and you realize it is worth it. But it is really difficult when you're five days late on the rent and you're not sure where it's going to come from.

Some people may believe that working while training builds character and demonstrates determination, but Canadian amateurs must compete against athletes from countries where they are supported much better financially by their governments. Australia, a nation with a comparable population to that of Canada, routinely claims more medals than Canada at the Olympics and other competitions. After the 1996 Olympics, Australia increased its amateur sports budget by \$130-million, while Canada was cutting its own. Also by comparison, top amateurs in Europe may receive bonuses of over \$100 000 for performing well. It is no wonder that some Canadian athletes are lured away. Others are discouraged by the dismantling of our sports programs. Canada will bid to host the 2010 Winter Olympics, yet it has eliminated programs that represent 30 per cent of the sports at the Winter Games. The story, however, may soon improve for amateur athletes. The federal government pledged \$50-million in services if Toronto wins the bid for the 2008 Summer Olympic Games. In addition, Heritage Minister Sheila Copps has added that the federal government hopes to provide more funding for struggling athletes.

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Bread or Circuses?

The Senators: Selling the Home Team

In ancient Rome, prudent emperors followed a policy of providing bread and circuses to pacify the masses. Bread was distributed as preventive medicine, since hungry people might revolt against the government in desperation. Circuses referred to the mass spectacles such as gladiatorial battles, chariot races, or feeding prisoners to the lions. The publicly funded entertainment distracted the masses, so they were less likely to agitate for political change. Wise emperors gauged the public barometer to decide how much food or entertainment was necessary to keep the peace.

Minister of Industry, John Manley, and Prime Minister Chrétien misread Canada's barometer. The response from many Canadians to the subsidy plan was quick and negative. Manley was forced to retract his offer only 72 hours after having made it; this was of considerable embarrassment to the government, whom critics immediately labelled indecisive and disorganized. The criticism also focused on the fact that after years of federal cuts to services and transfer payments in order to bring down the deficit, the Liberals were prepared to give money to a league of millionaires. Interestingly enough, the immediate outcry over a proposed \$20-million dollar annual subsidy galvanized Canadians initially far more than the \$3-billion that was allegedly misplaced by the Ministry of Human Resources. Perhaps the perception that the federal government was spending even a token amount on circuses when there are many ongoing social

and economic problems in Canada is unacceptable to Canadians.

Where do you stand on the issue of an NHL bailout? Examine the opinions expressed below. What opinions do you tend to agree or disagree with? Which opinions would you qualify or add to in order to express what you now believe about this issue? How do these opinions clearly show the complexity of this issue? What related issues cannot be avoided?

. . . Before you complain about the tax money being spent to keep the Senators in Ottawa, think about the tax money that will be lost if they leave. I think you'd be complaining just as much if they left and the government had to cut spending to compensate for the tax losses. From a letter to the editor by Mark Hockenull in the Ottawa Sun, January 25, 2000

A national crisis? Hardly. To equate this proposal with, for example, tax breaks given to film crews is laughable. At least I can afford to take my family to see a show once in a while. I can't say the same about an NHL game. I'd love to bring my kids down to the Corel Centre to watch the Senators, but the sad fact is I can't afford to. And you expect my taxes to support these ventures? This country is far more than a game. From a letter to the editor by Dave Edwards in the Ottawa Sun, January 25, 2000

The fellows owning the teams are multimillionaires. And the players are fast becoming multimillionaires. I'd have screamed blue murder, started a tax revolt, if the feds had done that. Howie Meeker, former Hockey Night in Canada analyst, as quoted in an article by Bernard Pilon in the Edmonton Sun, January 23, 2000

Most Canadians are against subsidizing these professional hockey teams. There are much higher priorities to be considered, including health, education, Western farmers, etc. On a scale of one to 10, this sort of subsidy comes in at No. 11. From an editorial by Ted Gauci in the London Free Press, January 22, 2000.

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News in Review

March 2000

The Economic Impact of Professional Sports

The Senators: Selling the Home Team

Supporters of Manley's tax relief proposal for the NHL claim that the overwhelmingly negative response by Canadians is an overreaction. According to these supporters, the federal government's proposed \$20-million-a-year subsidy over four years is relatively inconsequential when considering the billions of dollars in government spending and transfer payments made each year. Even then, the final tab for the federal government would have been closer to \$10-million since the big-market franchises, Toronto, Montreal, and Vancouver, would not have qualified for the aid package. The focus was on the Ottawa Senators, Calgary Flames, and Edmonton Oilers. Even then this federal money would have had to have been matched by \$30-million from local and provincial governments and the NHL. Supporters of the proposal contend that too much fuss was made over \$10-million, which breaks down to 33 cents a year per Canadian.

Rod Bryden, owner of the Ottawa Senators, has argued that professional sports teams contribute considerably more than that amount to the economy on all levels. According to Bryden, the Senators in 1998 paid:

\$4.5-million in real estate taxes for the Corel Centre (\$7.2-million in 1999)

\$5.6-million in amusement tax, a retail sales tax on tickets

\$5-million in GST

\$2.1-million in surcharges on a highway overpass built for the arena

\$1.1-million in corporate and capital taxes

\$450 000 in withholding taxes paid for non-resident employees on the team

\$17-million remitted in provincial and federal incomes on the employees, including the players

When all levies are totalled, the Senators and the Corel Centre paid \$36.6-million. In addition Bryden noted that five per cent of his television revenues go to a fund to make Canadian films. In

He Shouts, He Scares! an article by Tim Harper in The Toronto Star, March 6, 1999, Bryden is quoted as saying about this last tax, I hope you enjoy watching Wind At My Back because you ll have to watch it on Saturday night because there won t be any hockey. On top of the direct contributions by any professional sports franchise to government coffers, these teams also create spin-off jobs in the city in which they are located. Restaurants, transportation, hotels, clothing manufacturers, and food and beverage wholesalers all benefit as well. The thousands of spectators who attend each game purchase goods and services while they are downtown. Spectators from out of town will shop, sightsee, and attend other events while staying in the area. Their purchases represent greater sales-tax revenue for the government and create jobs for people who have nothing directly to do with the sports teams. Each person employed represents more income and sales-tax revenues, and their demand for goods and services results in more job creation. In economics, this is known as the multiplier effect. Bryden and other supporters of government aid for professional hockey note that if Canadian teams move to the U.S., it will have a devastating effect on the local and provincial economies.

Activity

Select an entertainment activity that people pay to attend in your town or city and gauge its effect on the local economy. It does not have to be a sports activity. List all the materials and services necessary to stage the event. What outside companies benefit from their contracts with this event? List all the tangible benefits that your town or city receives from the activity you have chosen.

Contributions Overstated?

Critics say that Bryden is an astute businessman who is making the best pitch for his team. While the taxes paid and direct jobs created cannot be refuted, the analysis of a professional sports franchise becomes fuzzier when attempting to gauge its greater impact on the community. Walter Robinson, president of the Canadian Taxpayers Federation, notes that U.S. studies show

the spin-off effects are negligible. With respect to Ottawa he is quoted in Tim Harper's column as saying, "If you don't go to a Senators game, you don't throw that \$100 in the fireplace. You go to the movies or the mall. The money is still spent in the community." Likewise, those who support Robinson's point of view point out that players like Alexei Yashin (who is currently holding out for more money), does not spend his millions in salary in the Ottawa community. They take their money out of the community or even the country. Finally, many of the jobs that Bryden claims are created either directly or through spin-offs from his team are service industry or low-level jobs. They tend to be seasonal, low-skilled and low-paying.

U.S. cities are often held up as examples by pro-subsidy Canadians. Sports franchises there pay fewer taxes than Canadian team owners and in many cases received partially or fully funded stadiums or arenas. Marc Rosentraub, a professor at Indiana University and author of the book *Major League Loser: The Real Costs of Sports and Who's Paying for It*, contends that more money is paid out by a city than is taken in. He states that the presence of a team will generate a certain type of media exposure, but that exposure itself, no matter how satisfying, does not attract firms, make the city safer, or make the workers in the city better paid or educated. Using the Texas Rangers of Arlington, Texas, as an example, he notes that despite the high profile of the team, sports and entertainment in total account for 7.5 percent of its economic base. That includes all activities such as amusement parks, movies, shows, and restaurants. The Rangers can only take credit for a tiny percentage of that total. The returns never amount to the economic impact promised by owners and boosters.

Resolved: Professional Sports Are an Asset to a Community. Organize a debate on this issue. Think of other economic benefits or shortfalls not mentioned already. As well, incorporate some intangibles such as the psychological effects of gaining or losing a franchise.

Follow-up Discussion

In business and in our private lives we have to make decisions based on cost effectiveness. In essence this principle asks us to consider: Is the reward sufficient to justify the investment of time or money? Do the gains outweigh the losses? Is this a credit or a debit situation, whether it be short-term or long-term? Has the money or time spent been worth it? Did we get a significant return on our investment? Are professional sports in Canada, like the NHL, cost-effective to Canadians? Discuss.

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10th

News in Review

March 2000

Discussion, Research, and Essay Questions

The Senators: Selling the Home Team

1. The National Hockey League has undergone massive changes over the past 40 years. Research the development of the league from the Original Six to the extensive system that exists today. Write a report detailing its expansion and noting its successes and shortcomings.
2. Invite a sports reporter from a local newspaper or radio or television station to speak to your class about the problems facing professional hockey and the other professional sports.
3. Contact your member of Parliament and find out where he or she stood on the Manley aid proposal and why he or she took that position. Ask as well how your MP feels about subsidies in general. Why is it acceptable to subsidize some ventures in Canadian society but not others? All MPs should have an e-mail address, otherwise postage is free for letters addressed to members of Parliament.
4. The focus of this News in Review report is on the problems faced by Canadian hockey teams and Canadians' opposition to subsidies to them. There is also considerable debate in the U.S. over the incentives given to professional teams to lure them to a city and then keep them there. Stadiums worth hundreds of millions of dollars are being constructed and significant tax breaks granted in the hopes that like in the movie *Field of Dreams* "If you build it, they will come." However, there are many professional teams that are still struggling and many voters who resent the public cash giveaway. Research the issues facing voters and teams and write an editorial or present your findings.

to the class. If you are using the Internet, combine the search terms sports and subsidies.

5. A parallel issue to the potential demise of Canadian professional teams is the alleged demise of the Canadian hockey development system. Critics complain that the system sacrifices skill development in favour of more entertainment-value contact or shots on net. Others claim that the system pushes young players too far, too fast, resulting in burnout and injuries. Research the Canadian junior hockey program and write a short essay evaluating its effectiveness. Is Canadian hockey really in jeopardy?

6. Supporters and critics alike of the Manley subsidy plan agree that hockey is an important part of Canadian culture and should be preserved; they just differ on how it should be saved. The question is how do they know it is an important part of our culture? If it is, then hockey should have permeated itself into other areas of our culture. Survey different aspects of our culture literature, art, and music, for example and determine if hockey has made an impression beyond the hockey rink.

7. The superstars of today's professional sports command astronomical salary contracts, earning more money than many business leaders, inventors, or lottery winners. The superstars of yesterday even if inflation is considered worked for what would be derisively dismissed as chump change today. Does the focus on money take some of the shine off the modern superstar and his abilities? Select a superstar from the past and one currently playing. Through your comparison of your two stars, determine which system produces the better athlete.

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