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## The NBA Lockout and the Players

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It has been a difficult week as I try to cope with the realization that the Atlanta Braves are in the tank, the Yankees are about to finish the job of obliterating the field, and a group of psychiatrists has determined that Mike Tyson is not the boy next door. These matters have weighed heavily on my soul while I watch the NBA sliding into suicidal mode.

The lockout of NBA players by the owners, which began on July 1, is now over 100 days in duration and the first two weeks of the NBA season have been cancelled. More of the season will soon follow, and some are saying that the entire season is now in jeopardy. More likely is a scenario that will see the return of games around the first of the year.

On Monday the long-awaited arbitrator's ruling on guaranteed contracts came down and it was good news for the owners. The arbitrator ruled that guaranteed contracts would not be guaranteed during the lockout. So NBA owners will keep about \$800M in their pockets rather than transfer same to the more than 220 players with guaranteed contracts. This constitutes about 80% of the NBA payroll.

This ruling is critical to the future negotiations as a ruling in favor of the players would have given them one small advantage in their struggle with the owners. NBA owners now have no immediate financial incentive to end the lockout, and indeed with the guaranteed television money several owners will make more money without a season than with a season. If you get several million in television money, have little in the way of expenses, and give yourself numerous paper losses for tax write-offs, the bottom line suddenly looks quite attractive. For those franchises allegedly losing money, seeing the bottom line in black ink will be an absolutely euphoric experience.

Both sides have been lobbying press and public but very few people seem to care. The general view is that fans will wish a plague on both houses, and go off and enjoy the NFL, NHL, and college football and basketball. The NBA gets little attention before January anyway, and if the season doesn't begin until then, that will be a net savings for season ticket holders who were often stuck with those

November and December tickets. Best of all NBA regular season prices will not be paid out for the dreaded exhibition games.

As with most disputes in sport these days money is a primary issue. With revenues having skyrocketed in Professional basketball over the past decade one might expect that there would be plenty of the green to go around. Instead there is just a bigger amount to fight over. Players are happy with their huge salaries and other revenues, which have grown geometrically, while owners feel they are not getting enough of the new and bigger pie. Like Charlie Brown, all either side is asking is their "fair share."

Three years ago on the brink of a new contract the players balked, a re-certification election was called, a lockout was imposed and finally a new agreement was negotiated. It still took a year of further negotiation to finalize that agreement. A re-opener in this 1995 contract allowed owners that right if after three years player's salaries exceed 51.8% of revenue. With the owners claiming that player salaries have now reached 57% of revenue and the NBA payroll at a billion dollars, the contract has been reopened and to spur the negotiations the owners voted to lock out the players.

The biggest new source of revenue this year will be the television money coming in at a rate of \$2.6B over the next four years. That is an increase of approximately \$1.5B over the previous arrangement or about 130%. The fascinating part of this television deal is that no games need be played this year for the NBA owners to collect their money. If you believe in conspiracy theories it would be easy to conclude that NBC and Time Warner are out to help the NBA break the player's union. No one of course would ever think such a thing in these times of management quiescence toward labor and the national downsizing festival.

The only economic area in which the players and owners will both be hurt is merchandize sales. Worldwide this has become an enormous number in the past decade. The NBA logo is a prized possession from China to Brazil and Zimbabwe to Greenland. The streams of new revenue that these sales created will begin to dry up both at home and abroad, and this is no small concern. Whether this will be enough to push the owners to a more malleable negotiating position is

not likely, but it will be one more pressure point applied to the players.

How long the players can hold out against these economic odds remains to be seen. It seems likely that the owners, who continue to profit without games, will have little incentive to settle, while players with bills to pay will feel the pressure mount. It will offer David Stern and company a chance to teach the players some of the lessons they missed when they cut classes in Econ 101 at Enormous State University.

The players can contemplate all this as they gather later this week in Las Vegas where every fantasy is only a few thousands dollars away. The Union officials should also note that a significant number of its star players be absent from the Vegas conclave. Instead they will be in Houston where they are playing basketball in a pick-up league. There may be a message hidden in those actions involving player priorities.

What Stern and company may learn from all of this are the more difficult and painful lessons taught to baseball in Marketing 101; namely that absence may not make the heart grow fonder, but rather out of sight may be out of mind; or even worse that familiarity with these kinds of disputes breeds contempt.

It is hard to believe that this business which was on the brink of collapse less than twenty years ago, then went through a period of growth and prosperity which has been the envy of all sports owners, is now about to do a Kevorkian.

On Sport and Society this is Dick Crepeau reminding you that you don't have to be a good sport to be a bad loser.

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