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The NFL and its money

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Now that the NFL has refocused following Towelgate in the midst of what is developing as a most interesting season on the field, it might be worth going back to two stories that flew just beneath the radar over the past few weeks. These, of course, involved money, because we are talking about the NFL Money Machine, which continues to validate Al Davis' wisdom from 1978 when he noted in the wake of a lucrative television contract that "any dummy can make money operating a pro football club."

Three weeks ago it was announced that the National Football League had renewed its television contracts with two networks, FOX and CBS. Under the terms of the contract which goes into effect after next season, FOX will pay $712M dollars, an increase from $550M, per year. CBS will see its tab go from $500M to 622M per year. The total six year package will net the NFL $8B, and each network will get two Super Bowls under the new arrangement.

The League also renewed its "Sunday Ticket" deal with Direct TV and the price of it is going up from $400M per year to about $700M, or a total of $3.5B over six years. So far that comes to $11.5B and the ESPN and ABC contracts have not yet been negotiated. In addition the NFL will reportedly create a fourth television package of eight games to be shown on Thursday and Saturday nights beginning at Thanksgiving and running through the end of the season. These games will be moved from the Sunday packages of CBS and FOX who will now pay more for fewer games.

Moving games from Sunday to Monday night late in the season for more attractive games in the national showcase could greatly enhance the bidding on the MNF package. The NFL is looking for more competition among television outlets in bidding on both the Monday night and Sunday night packages. Under the current contract Disney pays $9.2B to the NFL for the Monday Night and Sunday Night games in a deal that included three Super Bowls.

For those who thought the total $17.6B paid to the NFL for the eight year contract that ends next year was over the edge, please note that the edge is about to move. A $20B cumulative pay out for all television contracts does not seem unlikely for what will be a six-year, rather than an eight-year, deal. Those who do not believe that the golden goose is immortal and capable of Stakhanovite production goals just haven't been paying attention.

The real beauty of these spiraling fees is that the networks are losing money on their NFL telecasts, but it just doesn't seem to matter. In fairness CBS claims it makes money on its deal, although no one at FOX and ABC where they lose money, believes CBS. Nor does anyone else in the industry.

There has been a remarkable jump over the past quarter century. As recently as the 1994-97 television contracts the total package was only $4.388B, or $1.15B per year, compared the $2.2B per year in the current contract. In 1978, the year of Al Davis' quotable quote, the contract was $161.5M.

In some ways even more interesting was another item that appeared in late October. The current collective bargaining agreement between players and owners will expire in the spring of 2008. For ten years the players and owners have settled into a comfortable relationship which many see as an improvement on the turmoil of earlier decades. If there is not an agreement on an extension before the 2007 season, that season will be played without a salary cap. It would seem likely that the owners will want to avoid such a thing, and therefore the players will have some hefty leverage going into any negotiations.

Player's Association Director Gene Upshaw has said that the gross revenue pool is not large enough, and has expressed concern that there is a growing imbalance in the league in terms of both franchise values and revenues. Inequities are growing with as many as eight teams earning profits well above the others. This marks a change in the owner's culture and may in no small part be attributable to those owners like Jerry Jones who have fought to exclude more and more club revenues from the decades-old revenue sharing system.

This has implications for the gross revenue pool on which the salary cap is based, and could have an impact on competitive balance within the league. In this struggle the Player's Association is likely to have help from the smaller franchises. Furthermore no one wants a work stoppage with so much money sitting on the table before any games are ever played.

The owners are not likely to be interested in going into a season sans salary cap, although that would produce some potentially interesting scenarios. Would, for example, the richer franchises break ranks and spend that extra money for more and better players? Would there be a George Steinbrenner type among them who would take advantage of the poorer franchises? Are there owners willing to develop franchise inequity on the scale that can be seen in baseball and basketball?

A non-cap year could produce answers to those and other interesting questions that would reveal just how strong the appeal of greed might be to some NFL owners.

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.