

Owners cancel first month of NBA basketball

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On Wednesday, October 28, National Basketball Association Commissioner David Stern announced the cancellation of two more weeks of scheduled games, eliminating the entire month of November from the 1998-99 season.

The NBA, representing the owners of 29 professional basketball teams in the US and Canada, locked out the 400 members of the Players Association last July in a bid to win major concessions in salary levels and contractual rights. Negotiations are continuing in New York City, with both sides indicating that they are making progress on outstanding issues.

The team owners reopened the 1995 contract three years before its expiration on the grounds that 15 teams lost money during the 1997-98 season because of high player salaries. Last season, the league contends, salaries hit 58 percent of team revenues, and they are projected to rise to 60 percent this season. The NBA reported the players were paid \$1 billion out of a total \$1.7 billion which the owners say is earned by the teams.

The NBA currently has what is called a 'soft salary cap' of \$26.9 million per team. However, there is a clause in the contract called the 'Larry Bird exception,' named after the Boston Celtic forward, which allows teams to re-sign their veteran star players at any sum. The owners want to eliminate this exception and impose a 'hard' cap.

The average NBA salary is \$2.2 million a year. An estimated 30 percent of the players are earning the league's minimum salary of \$247,000. The owners' proposals would serve to increase the gap between the top-paid and lower-paid players, particularly those veteran ball players and newcomers not considered stars.

The owners are demanding the lengthening of rookie contracts, which lock players into a preset wage scale, from the present three-year agreement to five years.

The team owners want to prevent players from becoming free agents until their seventh year. The average career of a player is only 10 years.

The salary cap is calculated from a formula based on 'basketball-related income,' i.e., the revenue from ticket sales and broadcasting rights. However, the NBA has become a multi-billion-dollar enterprise with worldwide gross retail sales of NBA merchandise alone topping \$3 billion last year. Revenue is 10 times more than a decade ago. The NBA has television exposure in 190 countries and international offices in 11 countries throughout the world.

New stadiums, often built at public expense, include luxury suites selling for between \$55,000 and \$175,000 a year. In addition, owners sell 'naming rights' for their stadiums. Office supply giant Staples will pay \$100 million over 20 years for naming rights to the new home of the Los Angeles Lakers, Clippers and Kings--the most lucrative such deal in sports history.

Increasingly, team ownership has come into the hands of vast sports and entertainment conglomerates which own not only basketball teams, but teams in other sports, not to mention stadiums, television networks, advertising and sports magazines. For example, New York's Cablevision, itself partially owned by Rupert Murdoch's Fox Entertainment empire, owns Madison Square Garden and the New York Knicks basketball and Rangers hockey teams. Turner Broadcasting, parent of CNN, owns the Atlanta Hawks and baseball's Braves, as well as the local stadiums and *Sports Illustrated*.

These networks have backed the owners' demands to lower salaries. NBC and Turner Sports recently signed a four-year \$2.6 billion contract with the NBA which guarantees the owners nearly half a billion dollars this year, even if no games are played. This amounts to \$16 million in guaranteed revenues for each of the 29 teams to help them weather the lockout and hold out against

the players' demands.

In the past, teams in the 'top markets' were willing to pay multi-million-dollar contracts to attract the best players. Now, however, the saturation of televised sports--including 24-hour sports networks televising games from throughout the world--is raising the danger of overcapacity in the market, and falling revenues. Many sports, including basketball and football, have suffered a fall in viewers and ratings. Earlier this year the *Wall Street Journal* wrote a anxious article considering the prospects for NBA earnings after superstar Michael Jordan retires. Such concerns are driving teams owners to cut their costs.

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