National Hockey League lockout ends with concessions contract

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On January 6, following several days of negotiation assisted by the US Federal Mediation and Conciliation Service, the National Hockey League (NHL) and National Hockey League Players' Association (NHLPA) announced they had agreed on a new collective bargaining agreement to replace the one that expired on September 15 of last year.

The lead negotiators for the NHLPA acted from beginning to end as though concessions were entirely normal and expected. The team owners easily extracted from the players nearly everything they originally sought, including wage cuts and player contract restrictions.

The new collective bargaining agreement (CBA), ratified January 9 by the NHL's Board of Governors, must still be approved by the players. Players have not seen the final terms, however, as the memorandum of understanding between the two sides is still being worked out, although voting is scheduled for Friday and Saturday. It is likely the players will ratify the new contract, and training camps are scheduled to open January 13 in preparation for an abbreviated 48-game season.

Many players are eager to get back to hockey, having already lost half the season to the lockout. Even those who found work playing in European or other leagues were unable to make anywhere near their normal salaries and had to spend much of what they were making on insurance policies to cover their NHL contracts in case they suffered an injury. Some older players are also worried that if they don't begin playing soon, their conditioning will never return to what it was, leading to earlier retirement.

The major change in the CBA is the reduction in the players' share of hockey-related revenue (HRR) from 57 percent to 50 percent. Since all players' salaries are paid out of their share of HRR, a reduction in HRR means a *de facto* pay cut for every player.

The league's owners are engaged in a concerted effort to drive down costs. Claims that the NHL needed to change the share of HRR to salvage the finances of weaker franchises are so much hogwash—ignoring the income generated by non-hockey operations, such as concerts and other events.

The 740 or so NHL players will collectively receive $300 million in "make-whole" transition payments from the owners for the first three years of the deal as the league makes the change from the players' current share of HRR to the target of 50 percent. The funds will cover some portion of the salary losses coming from this reduction in revenue. A leaked memo from the NHLPA acknowledged, however, that these payments would "only partially honour player contracts."

Although league officials in the end did not push through changes lengthening entry-level contracts or the time required for players to reach free agency, they did win several important restrictions on contracts. Free agents will now be limited to signing contracts of seven years, or eight if they re-sign with the team currently employing them.

Furthermore, within a player's contract, salary now cannot vary more than 35 percent annually, and the lowest-paid year in the contract must be at least 50 percent of the highest-paid. This is intended to prevent players from signing lengthy contracts with larger pay due in the first few years, and relatively little in the back end. Such deals are preferable from the player's point of view because they receive most of their wages up-front—an important consideration if either a decline in performance or injury prevents an individual from playing for the full length of the contract.

The league's initial proposal envisioned lengthening entry-level contracts to five years from the current three, putting promising young players at a salary disadvantage for a longer period. The current provision will continue.

The creation for the first time of an NHL pension plan has been cited as a win for the union—the "centerpiece of the deal for the players," according to NHLPA negotiator and Winnipeg Jets defenseman Ron Hainsey. The pension plan, in actuality funded from the players' portion of HRR, requires contributions from the owners only in cases of a shortfall.

Not only that, the NHLPA has agreed to a provision in the CBA creating an "industry growth fund" of $60 million to be funded by both parties and replenished as needed. With this, the players have agreed in essence to cover the league's costs on an ongoing basis.

Another feature of the recently concluded agreement is the so-called "compliance buyout" granted to each team. This provision will allow a given team to pay a player a lump-sum of two-thirds of his remaining salary in exchange for cancellation of his contract. Although such a player will be able to sign with another team as a free agent, it is likely that for some who are bought out in this cut-rate fashion, this will effectively end their careers.

This was the third time the NHL has locked out its players in the past 20 years. The NHL is also the only one of the four major North American professional sports leagues to lose an entire season due to a lockout, in 2004-2005. The NHL has no doubt been the league most openly committed to extracting concessions from its players, but it is not the only one to have done so. Over the past few years, there have been lockouts by the National Basketball Association (NBA) of its players and the National Football League (NFL) of its players and referees.

The NHLPA did no more than negotiate the terms of the cuts. As Phoenix Coyotes captain Shane Doan, one of the union's lead negotiators, commented, "It was concessionary bargaining right from the beginning."