In December, The Biz of Baseball reported on speculation that the passing of Toronto Blue Jays owner Ted Rogers (President and CEO of Rogers Communications Inc.) will spur a sale of the baseball franchise. Why have big media companies like RCI (Disney, Time Warner, News Corp., Tribune Co.) walked away from MLB ownership? Are the Blue Jays a positive or negative contributor to RCI's bottom line? Why are the Blue Jays reducing payroll? If RCI sells the Blue Jays, who will be the new owner? Has CEO Paul Beeston returned to the Blue Jays for the short term or the long term? Is MLB viable over the long term in Toronto without a new "ballpark"? Is a move out of the AL East necessary to rejuvenate the fanbase?

The past three seasons saw RCI increase the Jays payroll to the middle ranks of MLB. During that time the Blue Jays signed Vernon Wells, Alex Rios and Aaron Hill to long term contracts. Prior to that, (03 – 05) Blue Jays payroll had resided in the bottom third of MLB clubs. (Figures obtained from USA Today Salaries Database) Not coincidentally, the increase in payroll corresponded with three consecutive winning seasons for the Blue Jays. (The Blue Jays last posted three consecutive winning seasons from 98 – 00. A return to a more parsimonious approach to payroll is evidently in the cards. Peter J. Schwartz predicted in Forbes:

The passing of founder Ted Rogers earlier this month created a power vacuum within the Canadian telecom giant. The company owns sports media properties across several platforms, as well as baseball's Toronto Blue Jays, and is spearheading that city's attempt to lure the NFL's Buffalo Bills. Look for Chairman Alan Horn to take charge and immediately cut spending on sports businesses, particularly the Jays.

Mr. Schwartz's prediction appears accurate. With the departure of AJ Burnett via free agency and Frank Thomas' contract off the books, the Jays payroll will decline from the high $90 million range last season to the current mid $80 million range. (There is speculation that the payroll will shrink further over the course of the 09 season) Despite the departure of Burnett and injuries to starting pitchers Dustin McGowan (out until at least mid May) and Shaun Marcum (out for the season), the Blue Jays are telling their fans that, at present, they have no plans to sign any prominent free agents. Instead, the off season focus appears to be on improving bottom line results. Jordan Bastian reported on the Blue Jays "State of the Franchise" event:

Instead of pursuing the big names on the open market, the Blue Jays appear content with filling their roster holes internally, offering playing time for some of their younger players in the process. Beeston said the goal -- beyond providing a few of the club's prospects big league experience -- is to find a way to break even financially this season,...

Jeff Blair reported similarly:

With Beeston making clear at Tuesday's state-of-the-franchise function that Rogers Communications will no longer put up with losses of $10-million to $20-million (all currency U.S.) - a given in past years...

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RCI's focus on the Blue Jays bottom line is not limited to constraining player investments. December saw RCI cut approximately 100 positions at Rogers Media, a third coming from the Blue Jays. Canadianbusiness.com reported on the layoffs; "*Like all media and communications companies, Rogers faces a more difficult economy, with little growth and a squeeze on advertising revenues that could affect its TV stations, magazines and radio operations.*" January brought with it more of the same bad news for RCI.

The Blue Jays' relative frugality this off season is hardly unique in MLB. Industry wide concerns about the near and long term future of the economy have led to a drastic decline in free agent signings. RCI and the Blue Jays enter the 09 season facing new and renewed economic challenges.

- A southern Ontario market greatly dependent on the auto industry.
- The loss of a major sponsor, GM.
- The recent announcement that a TV broadcast partner has declined to renew. (Another example of the migration of sports to cable from over the air broadcasts)
- A "loonie" worth approximately 20% less than a year ago. (To help compensate for a weak Canadian dollar, earlier this decade the Blue Jays were the beneficiary of "currency equalization payments" from MLB)

While Blue Jays executives speak publicly about minimizing losses, with plenty of evidence to support their concerns, the subject of "related party transactions" makes it difficult to determine the Blue Jays impact on RCI's bottom line. RCI is the Blue Jays landlord , pays for the stadium naming rights, buys stadium signage, will broadcast roughly three fourths of the Blue Jays schedule on their RSN "Sportsnet" , which in turn collects carriage fees from RCI owned Rogers Cable . (Rogers Cable has a near monopoly in the Blue Jays southern Ontario market) Forbes describes RCI's relationship with the Blue Jays:

Rogers Communications, which provides cable television distribution and wireless services, uses its ownership of the Blue Jays and Rogers Centre to sell and cross-promote its nonbaseball businesses. Rogers connects with its biggest audience, southern Ontario, by highlighting its telecom services at the stadium... Rogers also televises Blue Jays games on its cable channel, Rogers Sportsnet.

In the most recent Forbes valuations of MLB franchises they reported the Blue Jays were one of three clubs to post a loss in 07, but provided some context for these calculations.

This year sees 3 clubs, the Blue Jays ($1.8 million), Red Sox ($19.1 million), and Yankees ($47.3 million) posting "losses".

[...]

Meanwhile Rogers Communications, which owns the Blue Jays, their stadium and the cable channel that televises its games, derives huge benefits from owning the Blue Jays not reflected on its team's P&L statement."

While there is a wide range of opinion regarding the Blue Jays profitability, and untangling the web of "related party transactions" is impossible for anybody outside of RCI, there is greater consensus amongst the Toronto sports media that the Blue Jays will soon be on the market. At least three Toronto baseball writers, Bob Elliott , Jeremy Sandler and Jeff Blair have stated as much since the passing of Ted Rogers. (No doubt RCI is the source of the speculation)

If the speculation is accurate and RCI divests itself of the Blue Jays, it will mark the end of media conglomerate ownership in MLB. Tribune Co. (Cubs), Disney (Angels), Time Warner (Braves) and News Corp (Dodgers) all have (or will soon in the case of Tribune) exited the ownership ranks of MLB this decade. (Liberty Media's ownership of the Braves is a temporary anomaly, see here) Daniel Kaplan wrote about the trend in 07.

It was only a decade ago that conventional wisdom had it that media companies were going to take over baseball. Media conglomerates had a notable presence in MLB's team ownership ranks, and the rationale seemed overwhelming: Rather than pay the teams for their media rights, own them instead.

Now, that reasoning has fallen flat....

[...]

"There was a period of time when everybody thought they needed to control content and not pay outrageous rights fees to owners," said Randy Vataha, a sports investment banker and president of Game Plan. "What happened when they owned the team, in order for the team to be competitive, they had to spend."

The teams became lost in large companies and became headaches from both an operational standpoint and from a public relations perspective. No one knows that better than Tribune Co., which was consistently hammered in the local press for its stewardship of the Cubs, which famously have not won a title since 1908.

Jeremy Sandler's aforementioned piece reveals that RCI views the Blue Jays in the same way.

The new CEO will eventually determine the future course of Rogers, but media companies no longer need to own sports teams to get access to their content. Rogers' company owns the Sportsnet cable television network, which carried 100 of the Blue Jays' 162 games last season, and the all-sports radio station The Fan 590 in Toronto, which carries all the games.

"It is natural for media companies to get out of ownership of sports teams and stick to their core competencies," said the official who asked not to be named. "They're selling them because they can compete for content now."

The spring '05 edition of the academic journal NINE , included the essay, *Whatever happened to synergy? MLB as media product*
. The essay attempts to explain why the aforementioned media conglomerates (excluding RCI) are no longer owners of MLB franchises. Some of the explanations contain parallels to RCI's relationship with the Blue Jays.

The general state of the economy strongly affects corporate behavior. The Disney-Angels, News Corp.-Dodgers, and Time Warner-Turner-Braves deals all took place during a robust economy. Although the corporate economy appears to be trending upward again, the slump of the early 2000s is at least partially responsible for the drive to sell teams.

The urge to purge should be expected. Throughout history companies have concentrated resources on their "core" assets in a troubled economy. For example, in the early 1970s, CBS divested such assets as Wurlitzer pianos and, of special concern in this article, the New York Yankees.

The essay also explains how the baseball franchises were of value in establishing RSNs. Once those goals were achieved, the value of the ballclubs to the media conglomerates was diminished. Is there a corollary in RCI's acquisition of the both the Blue Jays and the RSN "Sportsnet" in 2000 / 2001? Again, from "Whatever happened to synergy? MLB as media product."

Some of the companies did benefit from team ownership before cashing out. Braves games were key to the development of Time Warner's Turner South RSN.... Similarly on a regional and national level, News Corp.'s FOX network and RSNs continue to be partners of MLB despite selling the Dodgers. In both cases an argument easily can be made that owning a specific team was a short-run means of creating or maintaining a relationship with baseball and not a core asset that needed to be sustained.

Then there are the deals that did not work out. At the time of the Angels purchase, Disney, through its then-new acquisition of ESPN, hoped to create a major southern California RSN, a move precluded by FOX's head start in developing its Fox Sports Nets RSNs there and throughout the nation.

Again from the same essay, the argument that ownership of a professional sports team does not "fit" the corporate template.

In addition, there are payroll taxes that limit excess spending (investment) in individual teams. This reduces the advantage deep-pocket corporations have over the financially weaker competitors. This may or may not be good for the sports leagues and their fans, but it makes absolutely no sense for a large media conglomerate. Why bother with such a small entity that greatly restricts your ability to maximize your profits? Obviously, there are those like Steinbrenner, who is willing to pay the penalty (luxury tax) for spending above the "soft cap." However, his reasons for doing so are an interesting mix of both financial acumen and, perhaps more importantly, psychological need. The latter is disdained in the modern corporate world.

The Blue Jays announced in October the appointment of Paul Beeston as "interim" CEO. Mr. Beeston has a long and successful history with the Blue Jays as well as serving as MLB's COO from 97-02. While Mr. Beeston's role in his return is officially to "assist with the identification and recruitment" of a permanent CEO, the Toronto media have speculated that his return will be more permanent. Jeff Blair wrote prior to the “State of the Franchise” event;

...the guess here is at least as many people are intrigued about Beeston's status as interim chief executive officer. — "Interim? Paul Beeston isn't an interim anything," Pat Gillick said at the World Series...

[...]

Tonight, Paul Beeston will be an interim man whom many people can't believe is doing this on an interim basis, explaining what he hopes is only an interim situation.

Mr. Beeston recently acknowledged that the search for his successor is progressing more slowly than he originally anticipated. Jordan Bastian reported on Mr. Beeston’s update on the hiring process:

The interim tag attached to Paul Beeston's title as the Blue Jays' president and CEO isn't going to be removed any time soon. Toronto is still actively searching for a permanent replacement for Beeston, though it appears the process will carry into Spring Training.

More recently there have been personnel changes on the baseball side of the Blue Jays which the media believe Beeston was actively involved in. Assistant general manager Bart Given was dismissed, officially due to a desire to “redeploy dollars”. The Canadian Press reported that the official justification “*... will do little to quiet the whispers now making the rounds, with even one suggestion that given the timing, Beeston must have made the move as a show of his authority over GM J.P. Ricciardi.*” Subsequently the Blue Jays announced the addition of four professional scouts. Robert MacLeod reported, “*Ricciardi credited interim club president Paul Beeston for convincing the hierarchy at Rogers*

Communications, the owner of the Jays, of the importance of increasing the scouting staff. ” Such a hands on approach to the Blue Jays baseball operations is seemingly at odds with Mr. Beeston’s stated desire to soon replace himself as CEO.

If Mr. Beeston’s intent is to remain Blue Jays CEO for a longer period than he initially stated, the obvious question is, why? Mr. Beeston was Blue Jays president & CEO during the World Series winning seasons of 92 and 93. Why return to the same position under a cost cutting ownership which is perhaps positioning the club for a sale? Some wonder if Mr. Beeston’s role is more ambitious. Jeff Blair ;

“...the naming of Paul Beeston as "interim" CEO of the Toronto Blue Jays raises some interesting questions. First, if Beeston's responsibility is to help guide the search for a new CEO ... well, why couldn't the out-going CEO, Paul Godfrey, do that? .....

Could it be that we are on the verge of a seismic shift in Toronto's sports landscape, one that will eventually lead to the marriage of MLSE and Rogers, either through an amalgamation or one of them buying out the other?.... I remember Godfrey telling me in a very early conversation after he assumed the Blue Jays job that he believed, ultimately, the entire area of the city from the Rogers Centre down to the Air Canada Centre would at some point be under the control of some joint arrangement between the city's two dominant sports groups. That it was "inevitable." ....I just think that Tuesday's move is about much, much, more than who will turn the lights on and off at the Rogers Centre for Blue Jays games or who will be signing or trading baseball players. I think this is going in several directions, including a new stadium.... if you were going to pick a guy to pull off the biggest sports play in the history of this country, let alone this city, Beeston would be the man.

...I have to think that everything's on the table right now. This is about the big picture - the big, big picture.

MLSE (Maple Leaf Sports & Entertainment) owns the Toronto Maple Leafs, Toronto Raptors, Toronto FC, Toronto Marlies (AHL), Air Canada Centre, Leafs TV, Raptors NBA TV and recently purchased a majority interest in GolTV. The Financial Post reported that MLSE may be launching a TV sports network. (RCI’s principal competitor BCE accepted an offer in June 07 from the majority owner of MLSE but the deal collapsed amidst the credit crisis)

Stephen Brunt also mused about the merging of the Blue Jays with MLSE (or vice versa). "*One of these days, if there is a movement to bring the city's major sports franchises under one corporate tent, perhaps the Jays' ownership might change, but it's hard to imagine it happening in other circumstances.*"

Regardless of who owns the Blue Jays, a new baseball stadium is arguably a necessity. Jeff Blair is not alone in his thinking that a campaign for a new facility is on the horizon. Field of Schemes blogger and Village Voice reporter Neil deMause was interviewed in December by Bill Baer at Baseball Daily Digest. In response to a question concerning the continuation of the practice of new baseball stadiums being constructed with public dollars, Mr. deMause responded, "*The Blue Jays arguably started this whole trend with SkyDome way back in 1989, and I expect it won't be long before they're agitating for a new one.*"

The Blue Jays are one of five MLB franchises operating without a "baseball specific" stadium. Of the other four, Minnesota will move to a "baseball only" stadium in 10, Florida is very near to commencing construction on a "baseball only" stadium and Tampa Bay and Oakland are searching for real estate on which to construct "baseball only" stadia. The construction of "retro" style ballparks in most MLB cities over the past 16 to 17 years has been one of the (if not the most) important factors contributing to record industry revenues. The Blue Jays moved in to the multi purpose Skydome (now Rogers Centre) in 89, only 3 years before the "retro" ballpark era began with the opening of Camden Yards. Skydome was constructed at a cost of somewhere between $375 -$600 plus million dollars. (The $600 million figure is most often quoted. Discrepancies arise from calculations in US or Cdn dollars and the inclusion or exclusion of the hotel attached to the stadium. For more details, see here .) Fifteen years later, RCI purchased the stadium for a relatively paltry $25 million. RCI subsequently invested in upgrades to the concourse, luxury suites, playing surface, clubhouses and scoreboard (the investment in stadium improvements coincided with the increased payroll the past three seasons). According to Forbes, "*The Jays have been one of baseballs biggest revenue-sharing receivers in recent years because they are permitted to deduct their hefty stadium expenses from revenues in the league's revenue-sharing formula*." Nonetheless, Rogers Centre remains an anachronism. In an era when fans and corporations have spent record amounts of dollars filling smaller, baseball only, "retro" stadiums, Rogers Centre is too big (capacity approximately 50,000 for baseball) and too "modern".
Nate Silver

examined the trend of smaller ballparks in MLB.

Of the 14 parks that have opened since 2000 or are scheduled to open—I'll be especially generous and count the Marlins' proposed facility in this category—13 had reduced seating capacity from that of the team's old stadium, and the lone exception is Cisco Field, which qualifies only because the A's refuse to sell tickets in the upper deck at McAfee Coliseum. Collectively, these 14 stadiums will take about 10.8 million seats per season out of circulation.

This phenomenon is not anything especially new. The median capacity of a major league baseball stadium peaked in the 1980s at a little over 50,000, and has steadily declined since, as the once-fashionable multipurpose donuts are replaced with more intimate, HOK-designed facilities.

From " Public Dollars, Private Stadiums ";

Baseball teams have learned that larger, dual-purpose stadiums ignore the aesthetic intimacy that is part of the sport's cultural lore.

[...]

Just as important, however, have been the tens of thousands of empty seats at baseball games played in large, dual-purpose stadiums.....which has left the public with the impression that one can always get a ticket to a baseball game. But the newer, smaller stadiums, at least initially, have been able to create a sense of urgent demand.

If and when a "retro" ballpark is constructed in Toronto, it is likely that the benefits derived from it would be diminished in comparison to franchises which profited from the boom earlier on. Again, from "Public Dollars, Private Stadiums":

Recent data show that the increase in attendance at new stadiums in declining and that the honeymoon effect is lasting for a shorter period. Nine major league baseball teams have established new lows for single-game attendance in their stadiums, and all nine built new stadiums in the 1990s or 2000s. (Subsequent to the publication of the book, Nationals Park furthered the trend this past season)

Along with the “retro” stadium boon, the Blue Jays have not benefited from this era of “competitive balance”. When the Tampa Rays and Milwaukee Brewers made the playoffs this past season the Blue Jays remained one of only four franchises (the others are Kansas City, Pittsburgh and Washington/Montreal) to not qualify for the postseason since the introduction of the wild card in 1995. A return to the playoffs would obviously contribute to increased interest in MLB in Toronto but many Blue Jay fans are cynical about the possibility, given the Blue Jays residence in the AL East along with the Yankees and Red Sox. Whether or not RCI favours a move out of the AL East is debatable given the large crowds that the Yankees and Red Sox attract to Rogers Centre.

The future for MLB in Toronto is unclear. If RCI retains ownership, what level of financial support will they provide to the baseball operations? If RCI decides to sell, will MLSE buy? If not MLSE, is there a local buyer? Is anybody interested in owning and operating the Blue Jays without a new “ballpark”? The recent history of MLB and the affiliated minors in Canada is not promising. The demise of the Expos and the exodus of the affiliated minors from cities including Ottawa, London, St. Catherines, Medicine Hat, Calgary, Edmonton and Vancouver does not bode well. Blue Jays fans should not take their team for granted for long.

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