

Written by Pete Toms  
Monday, 25 May 2009 11:38

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## Last Week In Bizball by Pete Toms

*This week in Last Week in Bizball... Might earlier World Series start times restore the glory of the World Series? And looking for consensus on how much industry revenue the players are receiving.* **EARLIER WORLD SERIES START TIMES**

[News](#) that MLB and FOX have agreed to earlier start times for the 09 ALCS and World Series was roundly applauded last week by baseball media and bloggers. The typical reaction to the announcement was that MLB had finally realized the obvious, that millions of fans (particularly the young) were falling asleep before the completion of games. The headline of [Phil Mushnick's](#) piece was, “

**RIP VAN SELIG FINALLY WAKES**

”.

But if earlier start times for the World Series will allow more fans to watch more of the games, why has this change been so long in coming? Perhaps MLB and their broadcast partners understand that the change in start times might not increase viewership? [Michael Hiestand](#) at USA Today reports that, “...Series ratings have generally suggested that viewers don't seem all that bothered by games ending in the wee hours: Ratings usually climb as games progress.” Mr. Hiestand also explains that FOX needed to bring their affiliates onside before a change in start times could be implemented. “One issue for Fox was persuading its affiliates, who air often-lucrative syndicated programming before Fox's network shows begin, to make room for postseason baseball pregame shows at 7:30.”

The 2008 World Series was the [least viewed in history](#). Despite consistently declining ratings, the World Series remains a valuable TV property. In this era of audience fragmentation, DVR, video games and internet, the World Series still commands a mass audience. Nonetheless, many fans and writers lament that the World Series does not captivate Americans on as broad a scale as it once did. Can MLB restore the lure and cultural importance of the “Fall Classic”, or has the nature of fandom in MLB changed? Is MLB now the “local pastime”? In December 08, Commissioner Selig addressed the issue of declining World Series TV audiences and the prospects of earlier start times in a wide ranging discussion with a panel of Thomson Reuters reporters ( [see the complete transcript here - PDF](#) ).

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*Reuters:* How do you reconcile the growth in attendance, which is phenomenal, and the World Series ratings, which seem to be going down every year?

*Commissioner Selig:* Well, that is a subject that I have wrestled with over and over. The growth has been terrific. The television ratings during the season are good, really good. There is no question there is intense loyalty locally for the 30 games. There is no question about that. And you are right. The World Series ratings are inconsistent with the great growth in every other phase of our business. And it is something that we are really looking at trying to figure it out because it is – the interest is so remarkable – when you think back to just television, you have got NESN in Boston and YES and SNY and you go on and on and on. The growth of television and its popularity – what the local clubs are doing is just stunning. So there are a lot of theories around and I guess if we knew exactly what the right one was we'd do, but I am confident that we can do some things in the future to boost our World Series rating. □ □

*Reuters:* You have spoken before about –

*Commissioner Selig:* And look – I'm sorry – the television – look, the whole environment has changed dramatically and we are on night after night and we are on when other networks are showing – it is hard to compare this thing because some of the variables are so different. I saw a story the other day that somebody had done, talked about the coverage, the media coverage of the World Series was spectacular again. Outpaced any other sporting event and so I know the interest is there and we just have to look at this and see how we take what happens during the season to the World Series.

*Reuters:* We have spoken before about perhaps – as a staple, growing up was, (yeah), baseball and the World Series, is that not even a possibility?

*Commissioner Selig:* Well, I'll tell you what – there has been a lot of conversations. A great question because we have talked a lot about it and I know Bob (LWIB note; Bob is Bob DuPuy, who was also present) has talked to the Fox people, I have. Ed Goren and I have had a lot of conversations. I really would like to have one late afternoon game and hopefully I think we can – we are working on that and have the games start a little earlier. Although the ratings do get better as the night goes on.

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FOX and MLB have ample time to implement strategies to stimulate interest in the World Series. FOX will broadcast the World Series until at least 2013. But if World Series ratings continue to decline (and perhaps even if they grow) is the move of the "Fall Classic" to cable TV inevitable? [The Biz of Baseball](#) reported in December:

*ESPN's recent acquisition of the broadcast rights to the BCS brought increased attention to the accelerating migration of sports properties to cable from broadcast networks (Since 2006, one of the LCS has been broadcast on cable channel TBS). The cable model of subscriber fees combined with ad revenue gives them an enormous advantage over the broadcast networks, who are reliant on ad revenue only. [Richard Sandomir](#) recently wrote, "The World Series would fit perfectly into ESPN's matrix. Tim Brosnan, M.L.B.'s executive vice president for business, cagily told The Sports Business Journal last week that if the Series ever went to cable, "it means a lot of other sports have gone there first."*

And if after 2013 the World Series is a more valuable TV property for cable than over the air, will there be political intervention? In March 07, [Senator John Kerry](#) (MLB eventually agreed to a deal with DirecTV and the major cable companies for distribution of the package). (D-MA) expressed his concern over negotiations between MLB and DirecTV for exclusive rights to the out of market EI package.

*Baseball is an integral part of American culture. [Commissioner Selig](#) himself has said that baseball is a social institution with enormous social responsibility. I agree with him.*

*Recognizing that, baseball has benefited from an array of favorable Government policies. The sport enjoys a broad antitrust exemption. It allows them to negotiate carriage deals, and gives them tremendous market power.*

[...]

*We should support baseball, and in return, I believe baseball should serve the public interest.*

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*It is fair to expect baseball to provide broad access to their games.*

A more detailed discussion of MLB as media property can be read [here](#) .

## MLB PLAYER COMPENSATION

[Shawn Hoffman](#) wrote last week at *Baseball Prospectus* that those in favour of a salary cap in MLB should take note that despite the presence of a cap in the NFL, the owners opted out of the CBA early because they believe they are overpaying the players.

*The thing is, while MLB has long been criticized for its financial system and labor relations, it's the NFL that's been fighting the wrong battle. The owners have been so fixated on the cap/revenue-sharing system that they have been willing to guarantee a very high percentage of their revenues to the players in return. MLB, which doesn't have a cap/floor, usually pays out about half of its revenues to its players; the NFL pays out around 60 percent, a figure which could actually go higher in the next CBA if the league still insists on keeping the cap.*

What percentage of MLB revenues is being paid to players is likely to be a contentious issue in the next CBA negotiations. (The CBA expires in December 2011) Whether or not the figure includes (or should include) MLB player development costs is a \$600 million per year question.

[Andrew Zimbalist](#) wrote in March '08:

*In 2007, the average MLB team spent more than \$20 million on its player development system. Of this, over \$11.5 million went to pay the salaries of the minor league players.*

*Generally, each MLB team has six minor league affiliates. Teams also run fall and winter development camps and leagues. Together, an average of 6.2 percent of MLB revenue went toward these minor league salaries.*

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*The player salary and benefit share of NFL revenue in 2006-07 were 58.4 percent. The respective shares in the NBA, NHL and MLB (2007) were 57 percent, 55.6 percent and 51 percent.*

*If we add the 6.2 percent that goes to minor league baseball players (without generating revenue for the major league club), the total player share in MLB revenue rises to 57.2 percent, putting it ahead of the NBA and NHL shares.*

Mr. Zimbalist's column was written in response to a column by [Liz Mullen](#), which detailed the declining percentage of industry revenues being paid to MLB players.

*In the last five years, the percentage of MLB revenue paid to baseball players has dived from a high of 63 percent in 2003 to as low as 51 percent. More generally, league revenue going to players has dropped from a percentage in the high 50s to low 60s in the early 2000s to between 51 percent and 55 percent in the last four years.*

AND

*In Major League Baseball in the early 2000s, players were receiving a percentage of league revenue in the high 50s to low 60s, said Rob Manfred, MLB executive vice president in charge of labor. The percentage of league revenue paid to players peaked at 63 percent in 2003, just after the MLB and MLBPA agreed on a CBA that included a luxury tax provision, he said.*

*In the last four seasons, the percentage of MLB revenue going to player compensation has dropped to between 51 percent and 55 percent, Manfred said. He declined to provide the exact percentage that players received each year from 2004 through 2007.*

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*MLBPA general counsel Michael Weiner also would not reveal the exact percentage of revenue that MLB players have received in the last four seasons. But he said, "I would agree the number has gone down. ... I would agree that the high was around 2002 and 2003, when we bargained the basic agreement toward the end of 2002. I would agree the number went down for a few years after that. But, by our numbers, the percentage of revenues devoted to player compensation increased in 2007." Weiner declined to comment further.*

Further complicating the question of what percentage of league revenues are being paid to players will be finding agreement between the PA and owners on the amount of wealth generated by MLBN and MLBAM. In a January 09 article, [Mr. Hoffman](#) argues that at present the players are not receiving any compensation from these MLB media companies.

*Moreover, in regards to MLBN and BAM, the owners will have limited access to the cash coming in. They will have greater borrowing capacity due to their increased equity, and BAM has paid small dividends the past two years, but the great majority of the revenue will remain "hidden" on the subsidiaries' books. Short of spending borrowed money, the teams won't be able to funnel much of this cash to the players, even if they want to.*

*Don't be surprised if this turns into a collective bargaining issue at some point down the road. The network and Advanced Media will likely bring in \$700-800 million in revenue this year, and the players are mostly being shut out. But for the time being, these companies are pure cash cows for the owners (or equity cows, if there is such a thing).*

Maury Brown provides a detailed account of the value to the owners of MLBAM and MLBN [here](#).

### **BUSINESS OF SPORTS NETWORK FEATURE ARTICLE:**

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