Written by Pete Toms
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This week in LWIB, renewed speculation concerning Rogers Communications Inc. ownership of the Blue Jays, the Minaya / Rubin imbroglio focuses attention on the tangled relationships between teams and media, the Yankees prevail in New York State Supreme Court, will problems at municipal bond insurer Ambac impact the Mets?, and is a sale of the Memphis Redbirds inevitable?

ROGERS COMMUNICATONS INC. & THE BLUE JAYS

LWIB, Rogers Communications Inc. (RCI) announced that they are anticipating less growth in the coming year than previously anticipated due to the economic recession. Some company executives, in discussing the state of RCI with analysts and media, made comments which led to renewed speculation in the Toronto media about RCI's commitment to their baseball franchise (Blue Jays). From the Canadian Press ;

Rogers Communications Inc., says it's committed to the Toronto Blue Jays and that the baseball club's costs can be controlled,....

Speaking during a conference call to discuss the company's quarterly earnings Tuesday, CEO Nadir Mohamed was asked by an analyst about the team's place within the company given its continued financial losses and payroll disparity with its rivals.

"We remain obviously committed to the Blue Jays," Mohamed said.

AND

Tony Viner, president of Rogers Media, the division responsible for the Blue Jays, said the team's spending is being brought in line with its revenues and that it remains an important part of the company's overall business.

“We believe that the financial performance of the Blue Jays can improve,” he said during the call. “In fact it's the one division of the media company this year, year over year performance is better than it was.

“We think that we can bring costs reasonably under control and more in line with revenues and our revenues are actually increasing in certain parts of the business, so as you know the Jays form an important part of our programming schedule on Rogers Sportsnet which is another division of the company which has done recently well and especially during the recession.”

Jeff Blair interpreted RCI’s statements:

It’s never a good sign when a bottom-line guy like Rogers CEO Nadir Mohamed feels he needs to give ownership of the Toronto Blue Jays a vote of confidence on a conference call with analysts. In fact, it’s never a good sign when any CEO of Rogers is paying any attention at all to the Blue Jays because trust me: nothing good can come of it. Especially when most of the people immediately under Mohamed don’t appear to like talking about the team publicly.

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But let’s take this to the max: are the Blue Jays for sale? Rest assured that we’re about to find out. People in the commissioner’s office believed going into the season that this was a club that could find itself on the market, even though one of Ted Rogers’ ever-lasting gifts to this franchise – and this is something that can’t be stressed enough – was that he paid for the team in cash and therefore didn’t saddle it with debt. Rather, there was a concern at the game’s highest levels that the new corporate reality at Rogers meant the team did not fit quite as comfortably with “core business” as it once did.

Yes, Rogers owns the stadium. Yes, they own the sports network which they sometimes seem reluctant to use to market the team and yes there are still some convergence points between Rogers Communications and Rogers Media, the divison under which the Blue Jays operate. But know this: Rogers' ownership of this team is no longer a given. Are the Blue Jays for sale? My guess is if they aren't for sale right now, they will be.

In February, The Biz of Baseball reported that if RCI sells the Blue Jays it would be a continuation of the trend of media conglomerates (Disney, Time Warner, News Corp., Tribune Co.) getting out of the business of MLB. (Liberty Media will soon be added to the list) RCI owns the RSN which broadcasts three quarters of the Blue Jays games, a cable company which carries their RSN and has a near monopoly in the Blue Jays southern Ontario market, plus a chain of radio stations including the Blue Jays flagship station Fan 590 in Toronto. Interestingly, the same week that brought renewed rumours of a Blue Jays sale by RCI saw a very similar company – Cablevision – announce that it was spinning off their hockey and basketball teams, plus Madison Square Garden and two RSNs. Why have these media companies sold off their professional sports teams, and is RCI next in line? Jon Fine reported for BusinessWeek in February;

In earlier and more expansive times for media—and very good times they were—the industry's moguls fantasized about hitherto unforeseen advantages to be squeezed from all manner of assets. So many snapped up sports teams. News Corp. (NWS) bought the Los Angeles Dodgers. Disney (DIS) grabbed the Anaheim Angels and hockey's Mighty Ducks (unquestionably the only team to pinch its moniker from an Emilio Estevez film). Cablevision (CVC) bought New York's Knicks and Rangers. I could go on. The argument advanced was a variation on the (now wholly discredited) "synergy" theme then taking root: Take your programming. Run it through your distribution. Get richer faster.

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But a team is not a content business. It's more like a concert business. "Substantially," says Leo Hindery, managing director of InterMedia Partners (and pal of Tom Daschle), whose bid for the Cubs failed, "it's a butts-in-seats business." And teams come with a host of ungovernables. Being in a league makes you but one voice of many in determining business rules and conditions—a big problem for those who like control. Your stars go crazy off the field, but nowhere near as crazy as the salaries they command. Media companies might—might—scale *back movie star pay, but good luck doing so in sports. It has a different talent ecosystem, with built-in scarcity stoked by the blunt measuring tool of the won-lost record. Do you want your most hated rival to sign the guy who can singlehandedly crush your offense, or do you offer more? It's not just winning and losing, you see. It's what the latter does to the bottom line. A franchise's wild ups and downs do not mesh prettily with a public company's demands. You can find top media executives still in the team business who privately concede that it's not worth the trouble.*

In May, Tom Van Riper reported for Forbes on rumours that Cablevision wanted out of the professional sports business.

Media giants are discovering that the sports business just isn't worth it. Unpredictability, volatile revenues, high turnover among players and coaches--it all goes against the predictable money flow that a regional cable network enjoys.

Bethpage, N.Y.-based ***Cablevision*** *(CVC - news - people), owner of the NBA Knicks and NHL Rangers, hinted Thursday that it may join the likes of* ***Time Warner*** *(TWX - news - people), the TBS parent that sold off the Atlanta Braves in 2007, and* ***News Corp.*** *(NWS - news - people), which got rid of the Los Angeles Dodgers in 2004.*

"The mindset of running a corporation versus owning a team is different," says Lee Berke, a New York-based sports media consultant. A national or regional network, he notes, is typically valued at 15 to 20 times cash flow, unfettered. Sports teams, less predictable year to year, have a way of messing with that multiple.

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The TV-business trend of owning your own team to provide content for your network has been waning for several years now, as momentum shifts toward teams forming their own networks, a la the Yankees and Mets. Otherwise, trying to win games with an unappealing manager, coach or player who doesn't like to toe the corporate line can get tricky. "A network may not like a guy, but getting rid of him may not be what's best for the team," he says. And vice versa.

Daniel Kaplan reported for The SportsBusiness Journal in 2007:

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....

AND

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.

And from the aforementioned Biz of Baseball report:

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.

Have the Blue Jays outlived their usefulness to RCI in growing their cable TV business? Has the utility of professional sports to expand "cable penetration" peaked? Andrew Flynn reported for the Canadian Press on RCI’s recently announced quarterly results.

Tough economic conditions also took a toll on Rogers' cable TV division, particularly in Ontario where 90 per cent of the sector's market is concentrated. The company reported slowing subscriber growth across the division,...

John Ourand reported for The SportsBusiness Journal in January.

Mark Lazarus was with TNT when it got an eight-game package in the early 1990s. He admits the NFL — and the NBA — helped TNT become a fully distributed network because operators believed that exclusive sports programming helped bring more subscribers to cable.

But Lazarus, who is now president of media and marketing for Career Sports and Entertainment, notes that NFL executives are dealing with a different environment today.

“When you think back to those years — the late 1980s, early 1990s — growth in cable homes every year was 5 to 7 percent,” he said. “We weren’t near the full distribution that we’re at today. Live, high-impact sports helped drive cable penetration.”

That kind of growth doesn’t exist today and operators are looking for other things — like equity or partnerships — to counter a mature subscriber base.

NFL Network President and CEO Steve Bornstein was quoted in the same piece.

“The cable business changed on us. It wasn’t anything that we did,” he said. “They decided that they want to be telephone companies. They are concentrating on delivering high-speed data. They are concentrating on delivering telephones. They are not just video providers anymore …

And will the bleak forecast for Rogers Media (the division of RCI which operates the Blue Jays) force significant reductions in player payroll or possibly a sale of the baseball club? Again, from Andrew Flynn.

Weak advertising sales also led to a decline in Rogers' media division, where revenue fell to $366 million from $409 million the year before. The division, which operates TV stations, magazines such as Maclean's and Canadian Business, is now expected to see revenues fall between four and 10 per cent this year and operating profits sink 40 to 60 per cent.

LWIB, media reports on RCI's relationship with the Blue Jays reiterated some of the previously mentioned problems inherent in corporate ownership of professional sports franchises. Rogers Media President Tony Viner found it necessary to address the media concerning the fate of Blue Jays pitcher Roy Halladay.   Shi Davidi reported for the Canadian Press;

The speculation is threatening such a crisis in confidence for the Blue Jays that one analyst asked during a conference call on the company's quarterly earnings Tuesday if it was worried that ill feeling might affect Rogers' other core businesses.

Jennifer MacMillan reported for the Globe and Mail that the Blue Jays release of pitcher B.J. Ryan was brought to the attention of analysts in RCI's recent quarterly report.

The disappointing performance of a major league pitcher isn't usually fodder for a company's financial results.

But buried in Tuesday's report from Rogers Communications Inc. were two lines about former Blue Jay B.J. Ryan that caught the eye of analysts for its impact on the cable giant's next quarterly statement.

Joseph MacKay of Desjardins Securities noted that Rogers, which owns the Blue Jays, will take a $15-million (U.S.) charge in its third quarter after releasing Mr. Ryan from his contract earlier this month.

Mr. Ryan's troubles on the field after battling a strained shoulder have translated into a financial hit for Rogers, illustrating how the problems of a marquee figure can affect a company.

Keith McIntyre, president of K.Mac & Associates, a sports marketing consultancy in Burlington, Ont., said teams take a risk when signing promising players to long-term contracts. It's a business move, aimed at building a fan base and a franchise in order to encourage ticket sales and licensing.

But it can backfire when a player hits a slump.

On the same theme, Nat Worden reported for the WSJ on the Cablevision spin off of MSG.

Investors have complained about the Dolans investing cash flows from Cablevision's cable business in MSG's operations, including the newly renovated Beacon Theatre here and athletes' salaries, which have done little to drive returns for shareholders.

The departure of Liberty Media (Atlanta Braves) from the ownership ranks of MLB is a foregone conclusion. Tribune Co.'s sale of the Cubs to the Ricketts family should soon be concluded. Will a sale of the Blue Jays by RCI be the end of corporate synergy in MLB?

Select Read More to see details on the Mets, SNY, and The Daily News; the continuing saga of Richard Brodskey vs. the New York Yankees; whether bonds for Citi Field will be downgraded, and; will debt-load force the sale of the Memphis Redbirds

THE METS, SNY & THE DAILY NEWS

LWIB, the bizarre exchange between Mets GM Omar Minaya and Daily News reporter Adam Rubin during the press conference announcing the dismissal of Tony Bernazard focused attention on the tangled relationship between teams, their RSNs and print reporters. The Mets are majority owners of their RSN – SNY. Since 2006, SNY has broadcast the weekday sports talk show Daily News Live , which naturally features sports writers predominantly from the Daily News. Richard Sandomir reported;

Usually, it isn't smart strategy to attack the integrity of a reporter covering your team — unless you have a smoking gun, which Minaya did not — especially when it's a tabloid that loves a fight. But it's even odder to pick a fight with a reporter working for a newspaper you're in business with.

Mr. Sandomir explained the structure of the Mets/SNY/Daily News partnership;

It is a simple deal: SNY gets at least two News reporters every day and the paper gets video that first ran on SNY.

The News benefits further by having a half-hour of television exposure every day that other local papers don't and that it promotes in its pages.

Mr. Sandomir also reports that the partnership between the Mets and the Daily News is hardly unique.

The relationship between the News and SNY puts into contractual terms a long-evolving trend: television loves sportswriters and wants them in its studios.

"The reality is that regional sports networks need content and a talk show like 'Daily News Live' is relatively inexpensive and compelling," said Lee Berke, a television consultant and expert on

networks like SNY. He said it was unlikely that the News paid SNY any sponsorship fee. Other sports networks run by Comcast, as SNY is, have nearly identical relationships for shows like "Daily News Live" with The San Francisco Chronicle , The Philadelphia Daily News, The Chicago Tribune and The Washington Post.

"If you're a newspaper scrambling to retain readership in a tough situation, you can promote yourself and your reporters," Berke said. "And after what happened on Monday, a lot of people might have picked up the News that normally wouldn't have."

While the Mets received credit for not censoring criticism on SNY of Mr. Minaya's behaviour, the situation did lead Neil Best to examine the convoluted relationships between baseball reporters and the industry they cover.

...trying to disentangle reporters' conflicted professional allegiances these days is more difficult than ever, often leading only to a house of mirrors.

Example: Jon Heyman, who appeared in SNY's studio after Minaya's news conference, works for both Sports Illustrated and MLB Network, as does Tom Verducci, who recently wrote a bestselling book with Joe Torre.

As Verducci said when I asked him about the Torre story, in the end the only thing a modern journalist can do is fall back on his or her integrity, without which we're all really out of business.

AND

Sports history is full of writers-turned-executives, from American League founder Ban Johnson to former baseball commissioner Ford Frick to former Giants GM Ernie Accorsi to dozens of others.

(The world - sports and otherwise - is even more full of former journalists who morphed into paid

spokespeople for entities they once covered.)

RICHARD BRODSKY VS THE NEW YORK YANKEES

LWIB, New York Supreme Court Justice John Egan ruled that the New York Yankees do not have to comply with a subpoena issued by the New York State Legislature requesting that the baseball club provide over 1 million emails and a few thousand boxes of documents related to public contributions in the construction of the new Yankee Stadium. The ruling is at least a temporary victory for the Yankees (and particularly President Randy Levine) in their long, ugly, public battle with State Assemblyman Richard Brodsky. From Richard Sandomir :

The subpoena was a central part of the contentious exchanges between Assemblyman Richard L. Brodsky and Randy Levine, the Yankees' president, over more than $1 billion in city-issued, tax-exempt financing for the stadium, and new jobs creation, ticket prices and the appraised value of the stadium's real estate.

Thom Weidlich reported for Bloomberg:

State Assemblyman ***Richard Brodsky*** *, a Westchester County Democrat, has accused the team of skirting U.S. tax law, claiming it hasn't shown an adequate public benefit to justify obtaining low-cost financing through tax-exempt bonds.*

He wanted the documents to determine if the team "knew of, caused or participated in the illegal manipulation of property- tax assessments," whether ticket prices exclude "the vast majority of New Yorkers" from attending the new facility built with the help of tax dollars, and related issues.

Justice Egan ruled that the subpoena was "*overly broad*" and *"Subpoenas should not be used as fishing expeditions,".* However, Justice Egan did not question the usefulness of Mr. Brodsky's investigation. From the aforementioned Bloomberg report;

The “propriety” of using tax dollars for stadiums used by privately owned teams “is certainly debatable, and Mr. Brodsky is right to bring this issue to the floor of the legislature for public debate,” Egan wrote. “The Yankees did not invent this practice -- they are merely the latest in a long line of teams to apply for publicly backed financing for new stadiums.”

Justice Egan suggested that Mr. Brodsky should shift the focus of his investigation. Again from Richard Sandomir:

He added that the more appropriate target of Brodsky’s investigation into public financing of stadiums for privately-owned businesses like the Yankees should be the city and not the team.

CITI FIELD MUNICIPAL BONDS TO BE DOWNGRADED?

LWIB saw reports that nearly $700 million of bonds issued by the New York City Industrial Development Agency to raise financing for the construction of Citi Field may be downgraded due to problems at municipal bond insurer Ambac Assurance Corp. Karen Brettell reported for Reuters;

Ambac Financial Group's (ABK.N) insurance arm is at high risk of regulatory intervention, which in turn is increasing the likelihood that counterparties to the insurer will need to tear up contracts they hold with the firm at a large loss, Moody's Investors Service said.

Moody's late on Wednesday cut its ratings on Ambac Assurance Corp by five notches to Caa2, eight steps below investment grade and a deeply speculative rating.

The move came after Ambac said on Monday it expects to report around $1.6 billion in mortgage-related losses in the second quarter. For details, see [ID:nN27547188]

"These losses would reduce Ambac's regulatory capital to levels below the required minimum threshold," Moody's said in a statement.

Ambac has been decimated by insurance it sold on risky mortgages via collateralized debt obligations (CDOs) backed by credit default swaps.

"With the risk of regulatory intervention now elevated, Moody's believes there will be increased pressure on Ambac's counterparties to commute outstanding exposures on terms that could imply a distressed exchange," Moody's said.

Jeremy R. Cooke reported for Bloomberg:

Almost $700 million of Queens Ballpark bonds issued through the New York City Industrial Development Agency in 2006 and 2009 were placed on watch for possible reduction from BBB, the second-lowest investment grade, S&P said in a news release.

Ambac Assurance Corp. *, which provided a surety policy for the 2006 bonds, was reduced to CC, the third-lowest non- investment grade, from BBB by the rating company on July 28. Queens Ballpark bonds issued in 2006 have been under review for downgrade at Moody's Investors Service since May after Ambac was dropped to high-yield, high-risk junk.*

As part of S&P's review, analysts will consider whether money deposited in the reserve fund is invested in securities with investment-grade ratings and whether that would be sufficient to cover debt service if needed, for instance, during a baseball strike, according to the release.

The debt is ultimately backed by payments in lieu of property taxes, or Pilots, from the Mets.

Karen Pierog reported for Thomson Reuters:

Standard & Poor's downgrade of Ambac Assurance Corp into junk territory on Tuesday began to take a toll on Thursday on municipal debt backed by the ailing insurer.

S&P, which cut Ambac a full 11 notches to CC, said on Thursday that the downgrade could constitute an event of default under terms of standby bond purchase agreements related to Ambac-supported variable-rate demand obligations. That in turn could lead to the termination of the agreements by their providers, the rating agency said.

AND

The rating agency also warned it may downgrade the BBB rating on $695 million of bonds issued by the New York City Industrial Development Agency for a new ballpark for Major League Baseball's New York Mets due to its downgrade of Ambac. The insurer supplies surety policies for the bonds' debt service reserve funds.

WILL DEBT LOAD FORCE SALE OF MEMPHIS REDBIRDS?

Last month The Biz of Baseball reported that the PCL's AAA Memphis Redbirds are now managed by Global Spectrum, part of Comcast Spectator. The change in management arose from the failure of the Redbirds owners to make a $1.625 million payment on bonds sold to finance the construction of AutoZone Park. LWIB, Will Lingo of Baseball America speculated that a sale of the Redbirds is inevitable.

The Redbirds have been one of the minor leagues' flagship franchises since joining the Pacific Coast League in 1998. For their first few seasons they battled the Sacramento River Cats for minor league attendance supremacy, and while they eventually surrendered that battle, AutoZone Park remains unchallenged as the gem of minor league ballparks.

Unfortunately it also remains unchallenged as the most expensive minor league ballpark, more than a decade after its completion. And this is where the complicated part comes in. The Redbirds are owned by the non-profit Memphis Redbirds Foundation, which also owns the ballpark. The franchise was operated by an entity called Blues City Baseball, which was run by team founder Dean Jernigan, a local Memphis businessman.

Blues City Baseball had a contract to run the team for $1 a year, and it took any profits from the *team and gave them to the foundation, which used the money to pay for sports programs for children that might not otherwise have them.*

Then throw into the mix the various entities that hold the $72 million in bonds used to build the ballpark. While they don't technically have a management role in the franchise, when things go bad the bondholders become the most influential group in determining the direction of the franchise.

And things have gone bad in Memphis.

AND

The bondholders are still owed an estimated $55 million-$60 million, and the Redbirds have been heading in this direction for some time. But I still don't see a way out of this situation without someone losing an awful lot of money. The franchise's debt service is estimated at more than $5.5 million a year. It was able to make those payments when attendance was at its peak and times were better, but now it seems like a virtual impossibility.

Eventually, the answer seems to be that the franchise and ballpark will have to be sold, so the bondholders can recoup as much of their money as possible. There are buyers who have been interested in the Redbirds—the Cardinals went through extended negotiations to buy the team last year before eventually walking away when the economy went sour—but what's the best case for a purchase price? Whatever your most optimistic prediction, it would seem that anything more than half of the current debt would be a coup.

Global Spectrum probably isn't the future for the Redbirds. Rather, the company will be an intermediary to take an up-close look at the franchise and analyze its value for the bondholders, preparing the franchise to be sold. When that happens, the Redbirds will likely have a much more traditional structure; it also means the franchise's once-grand vision will never be realized.

LWIB will return August 17.