



Betting on the games:  
***Canadian television's  
annual spending on sports  
programming now exceeds  
\$1 billion a year***

***A DISCUSSION PAPER FROM***

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## Introduction

*“For when the One Great Scorer comes to mark against your name,  
He writes – not that you won or lost – but how you played the Game.”*

– Grantland Rice

“How you played the Game.” A famous verse from one of the greatest sportswriters of the 20<sup>th</sup> Century. A metaphor for far more than just sports. And an indication of how, for many decades (or even longer), sports have been part of our shared experience.

Some follow sports – either teams or individuals – for the love of the game. Some are most interested in the “home team”, or the team that was the “home team” in the place they were born. Some are devoted to teams from places they have never been, based on admiration for a star player or fascination with a unique team history. And some focus mainly on the marquee events – Stanley Cup playoffs, World Series, Grey Cup, Super Bowl, Olympics – drawn to viewing by the interest of family, friends, or colleagues.

And, to a large extent, the history of the development of professional sports in particular, and that shared experience, are closely related to the development of the media.

That is true in terms of the way that the media have extended the reach of sports, and it is also true that sports have played a significant role in a number of major policy developments for Canadian broadcasters and regulators.

Yet, in 2019, many of the accepted wisdoms about the media are being challenged by technology and economics, and those challenges also extend to the relationship between the media and sports.

### **The telegraph and the newspaper**

In 1987, sports historian Alan Metcalfe noted:

Only during the last 100 years have conditions developed to allow for the emergence of truly national sport heroes. The telegraph and mass press in the second half of the nineteenth century were basic to the transmission of news across the continent and the world. All Canadians, for the first time, could become aware of the exploits of the great figures.<sup>1</sup>

The spread of the telegraph not only made it possible for local newspapers to provide news of sporting exploits from far and wide, but to do so almost instantaneously.

In fact, the newspapers’ access to real-time telegraphic reports gave rise, in the 1880s, to what might be called a “telegraph+display” system for reporting on major sports events – as they were happening. Large mechanical (or later, mechanical/electrical) scoreboards were erected, on the walls of newspaper buildings in many cities, to present the play-by-play results of events like the World Series.<sup>2</sup>

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<sup>1</sup> Alan Metcalfe, *Canada Learns To Play: The Emergence of Organized Sport, 1807-1914*, McClelland and Stewart, 1987, pp. 173-174.

<sup>2</sup> Mark Schubin, “Watching Remote Baseball Games Live Before Television”, *Proceedings of the IEEE*, October 2018, pp. 1854-1860.



Glenbow Archives

Scoreboard set up by the *Edmonton Journal*, showing the final score in the first game of the 1926 World Series, played on October 2, 1926. The Yankees won Game 1, but lost the series 4 games to 3. Nine of the 18 players listed on the scoreboard are in the Baseball Hall of Fame – can you identify them? (Answers on page 13.)

Crowds, often numbering in the thousands, would gather at the newspaper building to watch the large scoreboard get updated as each new play or development was received via the newspaper's telegraph service.

This "telegraph+display" system continued to be used well into the 1920s, as illustrated in the photograph from Edmonton reproduced above.

### And then came radio ...

By the 1920s, radio was beginning to emerge as a major medium, not only for reporting the results of games, but also as a means of broadcasting those games as they occurred.

The first baseball game to be broadcast on radio was on KDKA, Pittsburgh, on August 5, 1921, between the Pittsburgh Pirates and the Philadelphia Phillies. (The Pirates won, 8-5.)<sup>3</sup>

<sup>3</sup> See: <https://www.phillidelphia.com/2016/08/august-5-1921-the-first-mlb-radio-broadcast.html>.

The first hockey game to be broadcast on radio in Canada took place on February 8, 1923, in Toronto, but it only covered the third period of the game.<sup>4</sup> The first complete hockey game to be broadcast on radio in Canada took place in Winnipeg on February 22, 1923.<sup>5</sup> It was a game between the Winnipeg Falcons<sup>6</sup> and the Port Arthur Bearcats, and was broadcast over CJCG, the radio station owned by the *Manitoba Free Press*.<sup>7</sup>

By the 1930s, sports on the radio had become ubiquitous, not only extending the ability to experience the games far beyond stadiums and arenas, but also changing the nature of sportswriting in newspapers, because many of the next day's readers had also been listeners the day before.

And, in Canada, after the Canadian Broadcasting Corporation (CBC) was created in 1936, "Hockey Night in Canada" became one of the most iconic programs on the CBC, first on radio, and then, starting in 1952, on television. The popularity of hockey, and the limited-channel environment in which it was broadcast, made it part of Canadians' shared experience for many decades.

### **How CFL football helped shape the early history of the CTV Network**

The Board of Broadcast Governors (BBG) was created in 1958, and replaced the CBC as the regulator of broadcasting in Canada.

One of its first tasks was the licensing of new private television stations in major Canadian markets. By mid-1960, a number of new stations had been licensed, but it was not clear what "network" structure would be put in place among those stations. At the same time, there was an applicant for a separate network – Spencer Caldwell.<sup>8</sup>

And one of the key factors in the structural wrangling was Canadian football. One of the newly-licensed stations, CFTO-TV in Toronto, had outbid the CBC for the right to televise the CFL



<sup>4</sup> Eric Zweig, "Star originated hockey play-by-play on air 90 years ago", *Toronto Star*, February 8, 2013, p. S4.

<sup>5</sup> "First Radio Broadcast Play-By-Play Of Game", *Manitoba Free Press*, February 23, 1923, p. 10.

<sup>6</sup> The Winnipeg Falcons were Canada's representative in the 1920 Olympics hockey competition (the first time hockey was included), and won the first-ever Olympic hockey gold medal for Canada.

<sup>7</sup> The name of the *Manitoba Free Press* was changed to *Winnipeg Free Press* in 1931.

<sup>8</sup> Frank W. Peers, *The Public Eye*, University of Toronto Press, 1979, pp. 234-239.

games of the four Eastern Canadian teams. But Caldwell had an option for the microwave transmission required to show the games in multiple cities simultaneously. When the dust settled, CFTO-TV and Caldwell had come to an agreement, and, in 1961, the BBG granted Caldwell the licence for what became the CTV Network.<sup>9</sup>

The competition for CFL broadcast rights, and the fact that the CBC still had a much larger reach than the new CTV network, led to considerable debate, and calls for public policy intervention on who would carry the Grey Cup Game, with a particularly heated set of arguments occurring in 1962.<sup>10</sup>

Ultimately, the 1962 Grey Cup Game was carried by both CBC and CTV television networks.<sup>11</sup>

After the confusion over the handling of the Grey Cup television rights, it is interesting to note that the game itself (played in Toronto) came to be known as the “Fog Bowl”, as fog rolled in from Lake Ontario on Saturday, December 1, 1962, and forced the completion of the balance of the game a day later. (The final score was Winnipeg Blue Bombers 28, Hamilton Tiger-Cats 27.)

### **From television ... to the Internet ... to smartphones ... to ...**

Sports programming – from live action to replays to highlights to in-depth commentary – now is available across many media and through many devices. The electronic market in which sports programming reaches consumers has undergone a transition from limited channels or stations, to a fragmented market with an almost limitless number of choices. And that is having a number of important impacts on the relationship between sports and the media:

1. The fragmentation of television viewing choices in many genres has left live sports as one of the few remaining mass audience attractions. That has increased the competition for live sports programming, and driven up the cost for the rights to carry those programs.
2. The increasing use of subscriptions as a way of paying for video programming has impacted demand, and made possible the delivery of more narrowly-focused attractions.
3. The many emerging options for the delivery of video programming to consumers has also increased demand, with streaming services joining in the bidding for a number of events. And, because streaming technology can be used by anyone, it has added to the potential for teams and leagues themselves to compete with traditional broadcasters in offering live games to consumers.<sup>12</sup>

### **Economic models**

Figure 1 provides a simplified representation of the classic economic model for sports broadcasting, and Figure 2 provides a simplified representation of the evolving economic model. In reality, the evolving model is likely to have many possible permutations and combinations.

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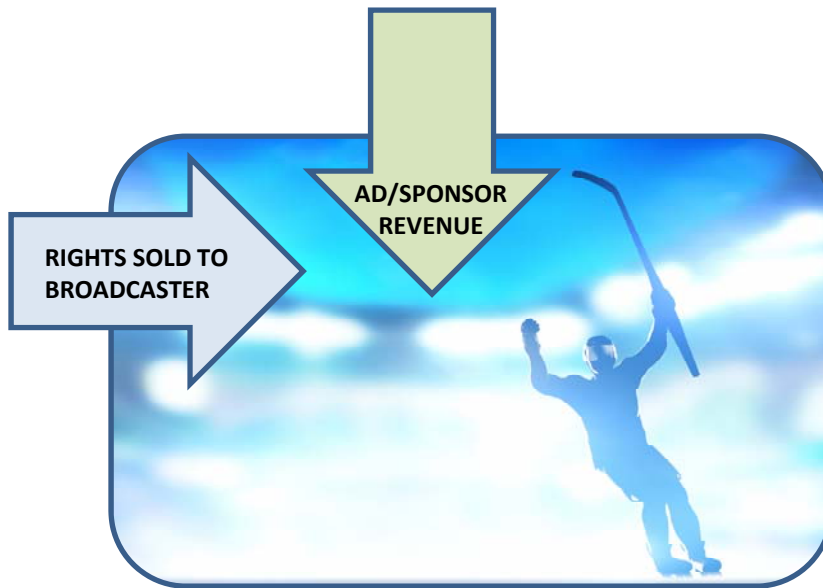
<sup>9</sup> *Ibid.*

<sup>10</sup> Peers, *The Public Eye*, pp. 254-257.

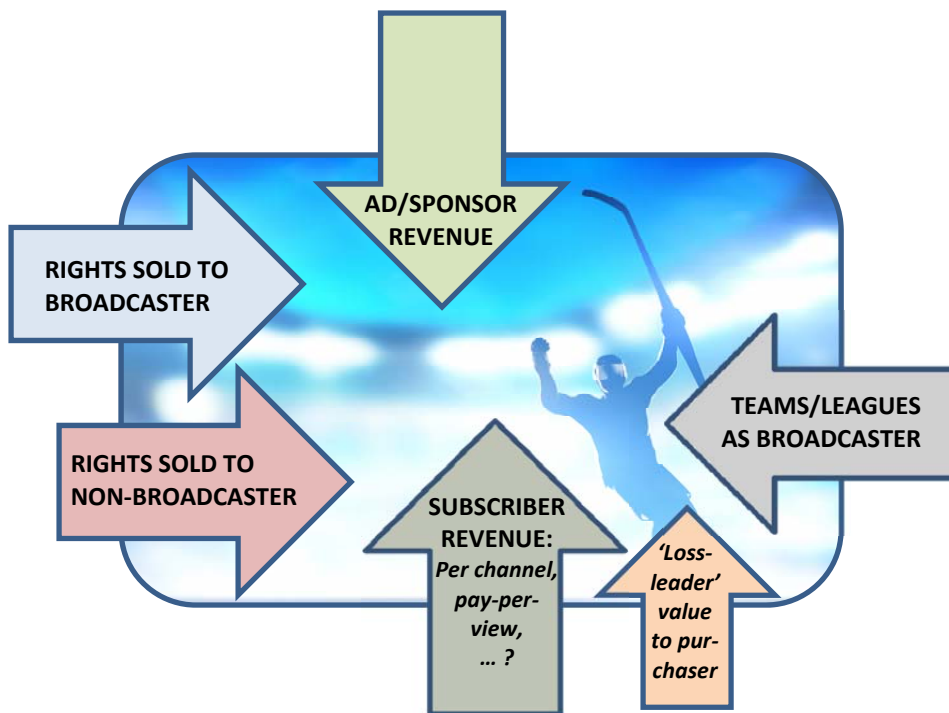
<sup>11</sup> Dennis Braithwaite, “Compromise Is Reached On Grey Cup”, *The Globe and Mail*, November 28, 1962, p. 1.

<sup>12</sup> One of the earliest and best examples is Major League Baseball’s MLB.TV.

1. The historical sports/broadcast business model – dating back to the early days of radio



2. The evolving sports/media business model may include many combinations of rights sales or retention, different combinations of revenue sources, and reception on multiple devices



## **Game-changer: Rogers outbids CBC for “Hockey Night in Canada”**

On November 26, 2013, Rogers Communications and the National Hockey League announced that they had come to an agreement that would give Rogers control over all national “broadcast and multimedia” rights to NHL games in Canada for a 12-year period (from the 2014-15 season to the 2025-26 season) for a total sum of C\$5.2 billion.<sup>13</sup>

In addition, Rogers and the CBC came to an agreement that would see “Hockey Night in Canada” remain in its familiar time slot on the CBC’s English-language conventional television network, but Rogers would control the programming and retain all of the advertising revenue, while granting some promotional opportunities to the CBC.<sup>14</sup>

(As a result, the CRTC required Rogers to apply for and hold a separate network licence for its hockey programming carried on CBC.)

In addition to “Hockey Night in Canada” on the CBC, Rogers would also carry NHL games on its own conventional and specialty television services.

(The behind-the-scenes strategies leading to the Rogers-NHL deal are dealt with in detail in a book by *The Globe and Mail’s* David Shoalts, titled *Hockey Fight in Canada*, published in 2018.)

## **Trends in spending on sports and news**

While the Rogers-NHL deal was one of the largest developments in Canadian sports broadcasting in the last decade, an examination of the data on spending on programming by genre reveals that, even before that deal, spending on sports had been increasing steadily, in response to a number of the influences (e.g., fragmentation of other genres) noted above.

To put that into perspective, we have analyzed the program spending by Canadian public and private conventional and specialty television services, using data from the CRTC and Statistics Canada. The data are based mainly on the CRTC statistics for spending on programming.<sup>15</sup>

Two important points should be noted about this analysis:

1. First, because our interest is in the trends in spending on various genres, we have used total spending within those genres, without further sub-division into Canadian or non-Canadian content. In other words, we are attempting to see what the data tell us about the degree to which broadcasters have focused on particular genres.
2. Second, since the Rogers network licence for “Hockey Night in Canada” is for programming carried on conventional television, we have developed estimates for the revenues and expenses associated with that network licence, and have included those data with private conventional television.

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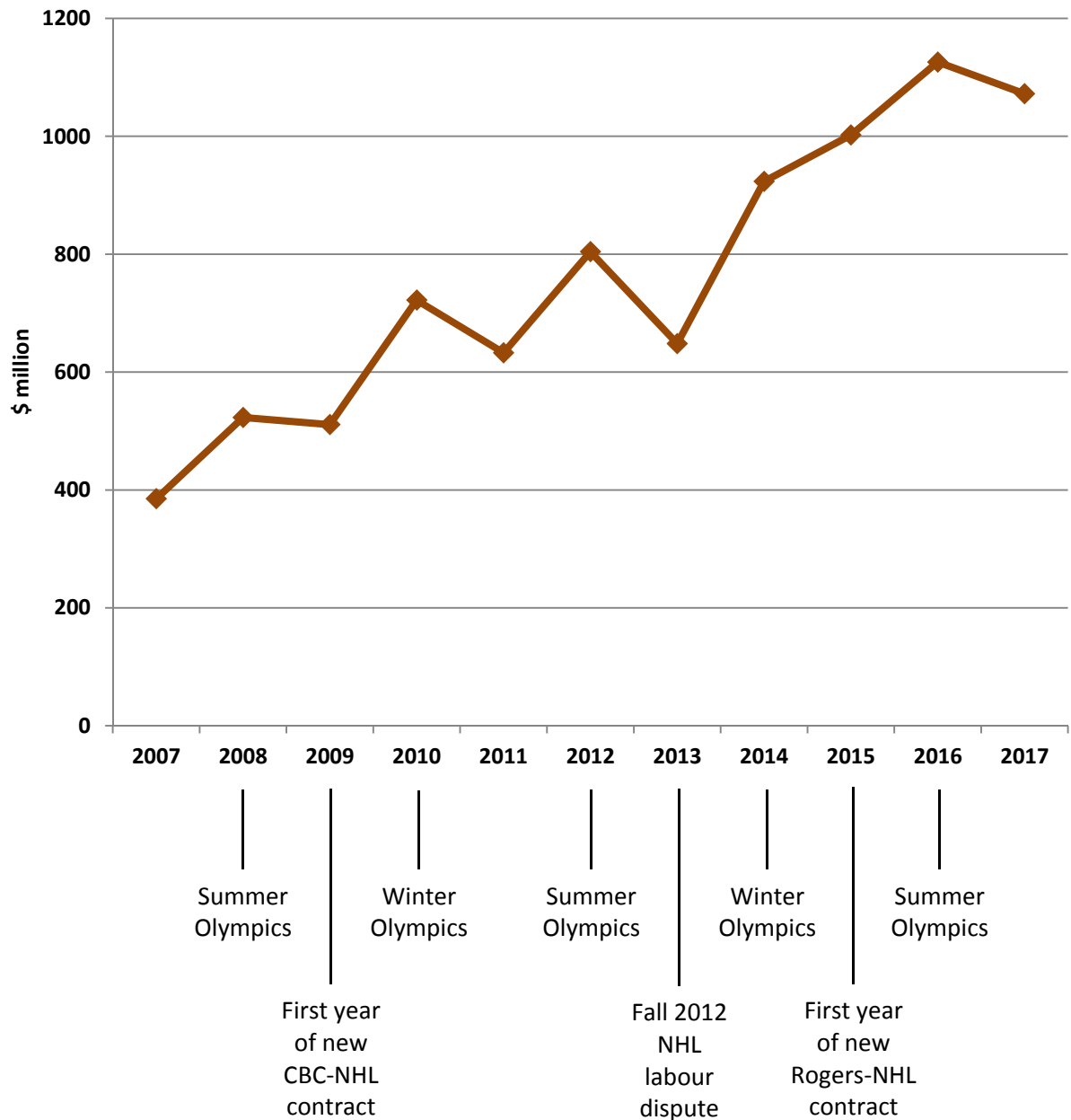
<sup>13</sup> Rogers Communications, News Release: “Rogers Communications and NHL Announce 12-Year National Broadcast and Multimedia Agreement”, November 26, 2013.

<sup>14</sup> *The Hockey News*, November 26, 2013, “CBC loses control of ‘Hockey Night in Canada’ to Rogers in blockbuster deal” [accessed online at [www.thehockeynews.com](http://www.thehockeynews.com)]. (Rogers also sub-licensed the Canadian French-language rights to TVA in Quebec.)

<sup>15</sup> The data are based on public and private conventional services, and on specialty services, but do not include program spending by other discretionary services (e.g., pay or pay-per-view).



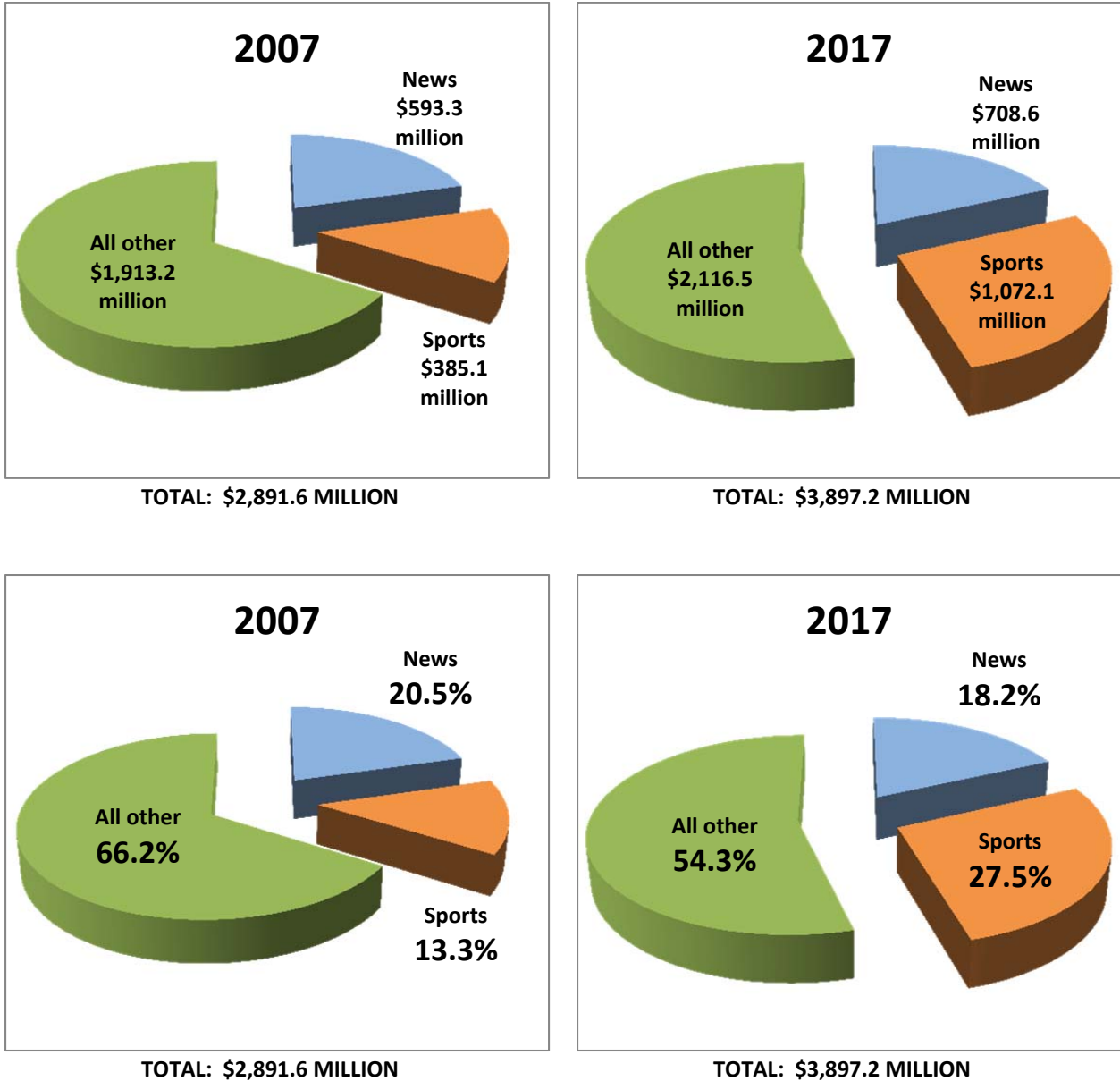
### 3. Canadian television, program spending on sports, 2007-2017



NOTE: Data are based on the CRTC's statistics for spending on Sports (Category 6), for CBC conventional television, private conventional television, and specialty services, for broadcast fiscal years ending August 31<sup>st</sup>.

The overall trend in spending on sports programming is summarized in Figure 3, which clearly shows the growth in the category, the impact of the Olympics, and, starting in 2015, the impact of the Rogers-NHL deal.

4. Spending on programs by conventional and specialty television services, Canada, 2007 and 2017, indicating spending by genre – news, sports, and all other genres



NOTE: Spending on “news” and “sports” is based on the program categories defined by the CRTC – News (Category 1) and Sports (Category 6).

As indicated in Figure 4, Canadian television spending on news was about 19 per cent higher in 2017 than it was in 2007, but spending on sports programs in 2017 was 178 per cent higher than in 2007. (Overall program spending increased about 35 per cent over the same period.)

5. Spending on sports programming by conventional and specialty television services, Canada, 2007 and 2017, indicating spending by public and private broadcasters

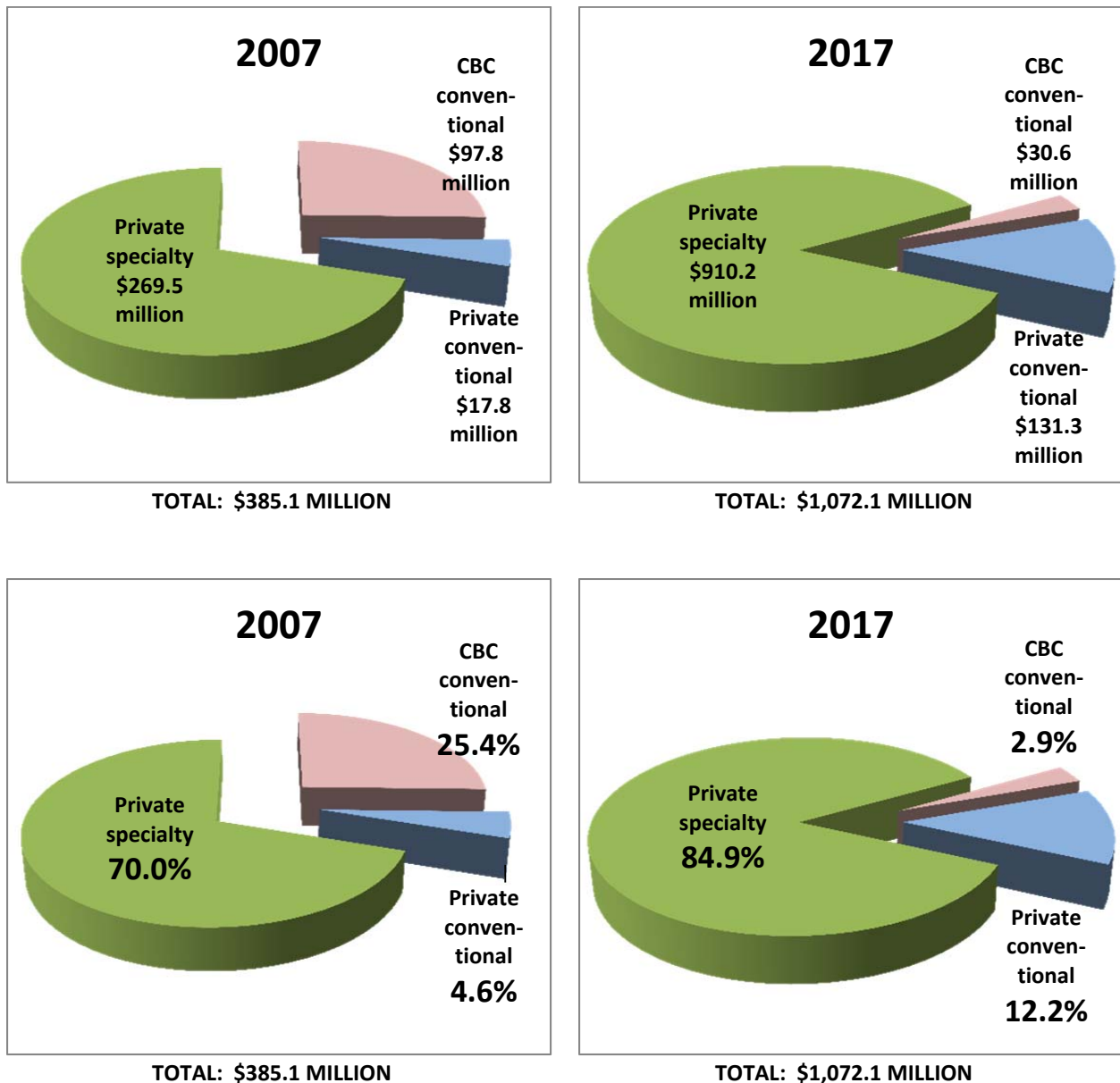


Figure 5 indicates the growth of specialty services as an engine for spending on sports, the decline of the CBC, and the growth of private conventional TV (due mainly to the fact that we have included the Rogers network licence for NHL hockey on CBC as part of private conventional television<sup>16</sup>). It should also be noted that 2007 and 2017 were non-Olympic years.

<sup>16</sup> Of the total private conventional television spending of \$131.3 million on sports in 2017, the Rogers network licence for Hockey Night in Canada on CBC accounted for an estimated \$88.2 million.

6. Spending on news by conventional and specialty television services, Canada, 2007 and 2017, indicating spending by public and private broadcasters

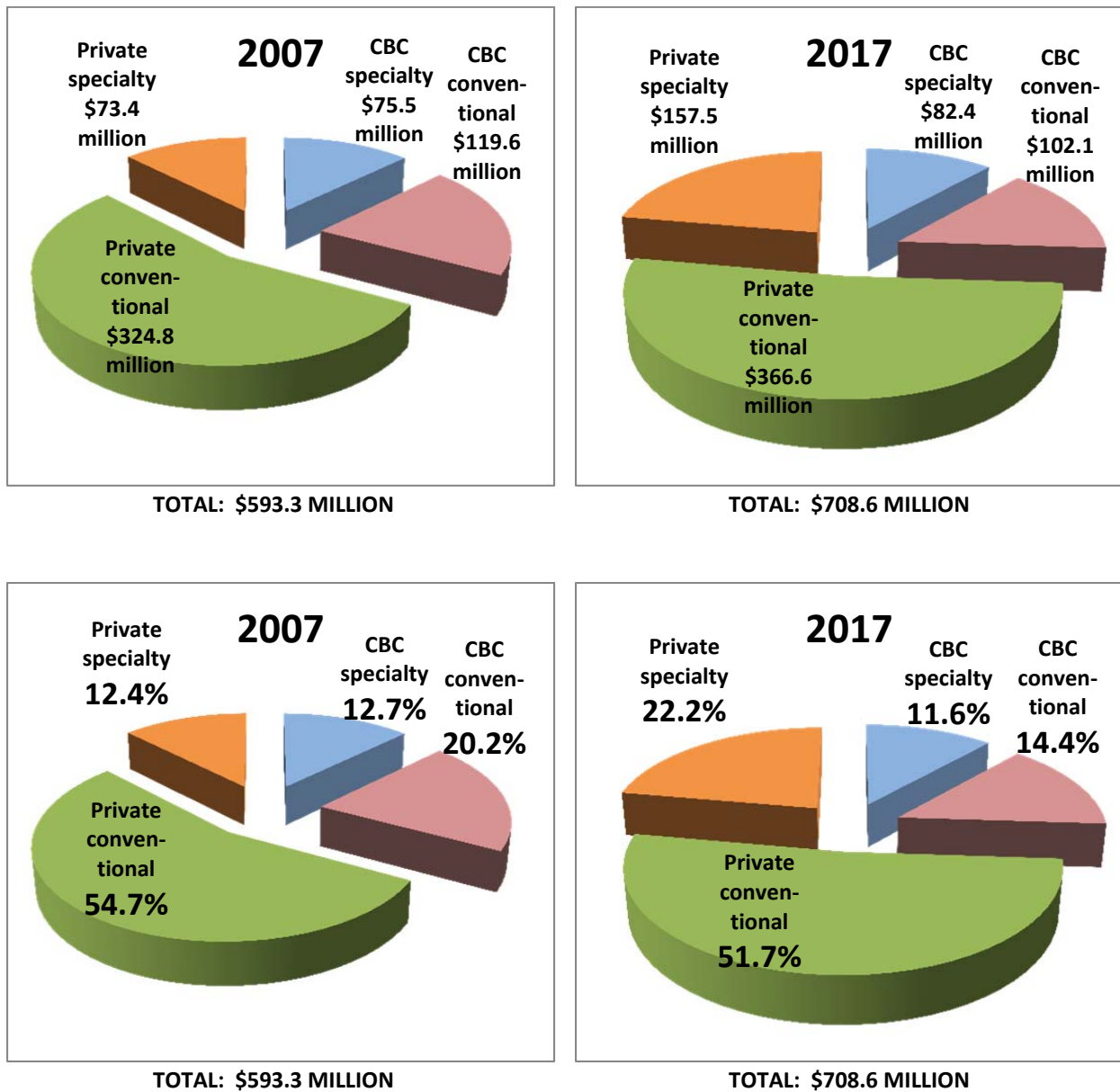


Figure 6 focuses on the program spending on news by Canadian television services. As can be seen from Figure 6, private conventional television remains the largest spender on news, with CBC conventional television's share of spending on news declining between 2007 and 2017.



### **The CBC and hockey: *2 minutes for lack of transparency***

During and after the last CBC-NHL contract for “Hockey Night in Canada” (2009-2014), the CBC issued conflicting statements about the financial results of televising NHL games.

As part of its last licence renewal process, the CBC filed a letter on September 14, 2012, which stated: “... Hockey Night in Canada will have generated a net positive revenue contribution over the life of the contract term. These monies have been and will continue to be invested towards generating more original Canadian content.”<sup>17</sup>

On November 1, 2012, the CBC stated: “... the Corporation reiterates that sports are an important and profitable investment for CBC television. The profits generated by sports help fund other non-sports programming that could not otherwise be developed.”<sup>18</sup>

On November 19, 2012, at the CRTC public hearing, the CBC told the CRTC: “The benefits of hockey are not just the cost effectiveness of it, which, of course, is incredibly important, it does fill a great part of our schedule to help us invest in other programming with the margin we make on ‘Hockey Night in Canada’ ...”<sup>19</sup>

So, according to the CBC’s statements in 2012, the NHL on CBC was profitable, and helped to subsidize other programs.

And then Rogers got the NHL contract, and the CBC contradicted what it had said before.

The president of the CBC appeared before a Senate Committee in February 2014, and said: “The revenues kind of washed out.”<sup>20</sup>

A year later, this is what the president of the CBC told the same Senate Committee: “Over the life of the ‘Hockey Night in Canada’ contract, the one that just ended, we didn’t make money off this contract. We lost a few dollars.”<sup>21</sup>

<sup>17</sup> Letter from CBC/Radio-Canada to the CRTC, September 14, 2012, p. 17. [DM#1770728].

<sup>18</sup> Letter from CBC/Radio-Canada to the CRTC [Reply to 23 October 2012 Interventions], 1 November 2012, paragraph 12.

<sup>19</sup> CRTC Hearing Transcript, November 19, 2012, line 496.

<sup>20</sup> Proceedings of the Standing Senate Committee on Transport and Communications, February 26, 2014.

<sup>21</sup> Proceedings of the Standing Senate Committee on Transport and Communications, February 17, 2015.

## “Hockey Night in Canada” – comparing results for the iconic program

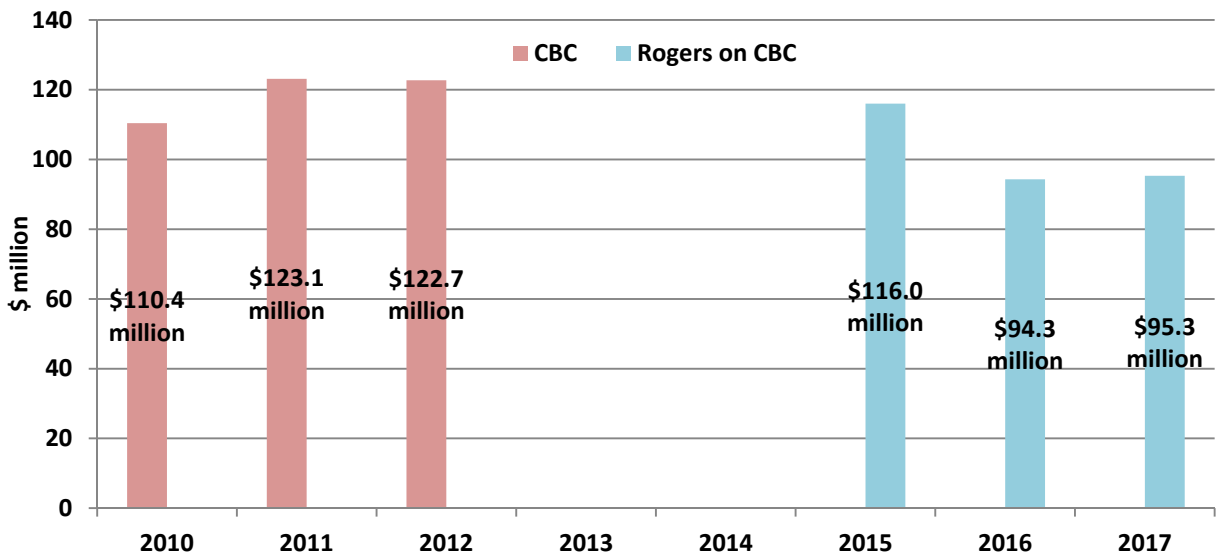
As noted above, when the CBC agreed to let Rogers fill the time slots in which the CBC itself used to program “Hockey Night in Canada”, the advertising revenues and expenses accrued to Rogers, even though the programming was carried on the CBC’s English-language conventional television service. And the CRTC required Rogers to apply for and hold a network licence for that purpose.

One of the interesting questions related to this arrangement is this: How is Rogers doing on CBC versus how the CBC itself was doing in previous years?

To answer that question, we have estimated the advertising revenues for the Rogers network licence through which it provides the programming on the CBC, for the first three broadcast fiscal years of the arrangement – 2015, 2016, and 2017. We have then compared those results with published estimates of the CBC’s advertising revenues for NHL programming for three earlier years – 2010, 2011, and 2012.<sup>22</sup>

The comparison is summarized in Figure 7.

7. Comparison of estimated advertising revenues for “Hockey Night in Canada” – CBC (2010-2012), and Rogers on CBC (2015-2017)



Of course, we would note that these are only part of the Rogers revenues from its NHL deal, which would also include advertising revenues in the additional NHL games carried on its own conventional and specialty services, subscriber revenues for its sports specialty services, and a sub-licensing fee for the French-language rights.

<sup>22</sup> The estimated NHL advertising revenues for the CBC for 2010-2012 come from an article that appeared on [www.huffingtonpost.ca](http://www.huffingtonpost.ca) on February 19, 2014. The article is by Barry Kiefl, President of Canadian Media Research Inc., and is titled “Who’s Really Paying for the Rogers \$5.2 Billion NHL Deal?” (Mr. Kiefl is a former Research Director for the CBC.)

## Future considerations

Many factors are likely to impact, or continue to impact, the relationship between sports and electronic media, including:

- The ability of live sports to attract relatively larger audiences compared to the fragmented, smaller audiences for some of the other traditional broadcast genres.
- The expansion beyond just advertising as a source of revenue, with the addition of subscriptions, and for some participants (e.g., Amazon Prime) the possibility that sports could be a loss-leader within a larger offering.
- Technological change, which has increased the numbers of channels through which sports programming can be offered, making it possible for teams and leagues to become “media”, for new streaming sports services to be started, and for current non-sports streaming services to get into the game.
- Changing viewing patterns, particularly among younger consumers.
- The emergence of “e-sports” as a “worldwide phenomenon that has rapidly evolved around competitive video gaming and the millions of fans who watch professional teams play, in person, on TV, and predominantly on digital platforms.”<sup>23</sup>
- The decision by the U.S. Supreme Court in May 2018 that could lead to legalized sports betting in many U.S. states might also have an impact on sports programming.<sup>24</sup>

## Coming in the 2020s ... the great recalibration of sports and media?

When we consider the interplay of the factors enumerated above, and also the timelines for a number of the current major sports broadcasting/streaming rights contracts, it appears that the mid-2020s could emerge as a time of major change in how sports programming is delivered electronically, and by whom.

We are in the tenth decade of the first century of sports broadcasting, which started in the early 1920s. Is it possible that the first decade of the second century of sports broadcasting – the 2020s – might come to be known as the decade of the “great recalibration” of sports and media?

<p>Answer to the quiz on page 2 (Source: National Baseball Hall of Fame): Players listed on the scoreboard who became members of the Baseball Hall of Fame: St. Louis Cardinals: Rogers Hornsby, Jim Bottomley, Chick Hafey, Jesse Haines New York Yankees: Earle Combs, Babe Ruth, Lou Gehrig, Tony Lazzeri, Herb Pennock</p>
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<sup>23</sup> Bob Woods, “E-Sports Is Beating the Competition”, *Strategy+Business*, January 24, 2019 [accessed at [www.strategy-business.com](http://www.strategy-business.com)].

<sup>24</sup> Stephen Battaglio, “ESPN launches ‘Daily Wager’ as sports betting goes showtime”, *Los Angeles Times*, March 11, 2019 [accessed at [www.latimes.com](http://www.latimes.com)].