

They shoot ... **They score!**



While flurries transformed Toronto streets December 9 to a commuter's nightmare, the sun was shining for the head honchos of BCE and Rogers Communications. This was the day they sat side by side at a news conference to announce that they'd jointly purchased 75% of Maple Leaf Sports and Entertainment (MLSE).

The Ontario Teachers' Pension Plan (Teachers) had sold them those shares for \$1.32-billion.

MLSE Chairman Larry Tanenbaum already had a 20% share and bought another 5% to round off the proposed new ownership, regulatory hurdles notwithstanding.

The deal, not expected to close until mid-year, came as a surprise because as late as November 25, Teachers had announced it would keep control of the company.

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## What Did They Get?

MLSE owns the Toronto Maple Leafs, the Toronto Raptors, the Air Canada Centre in Toronto, the Toronto Marlies (an American Hockey League Team) and Toronto FC, a Major League Soccer (MLS) team. It also operates a handful of digital TV channels, including Leafs TV, and owns 37.5% of Maple Leaf Square, a mixed-used high-rise development. One expansion plan is the rolling out of the Real Sports Bar and Grill across Ontario. Plans also are on the boards for bringing a House of Blues franchise to Toronto.

Rogers already owned Major League Baseball's Toronto Blue Jays and the Rogers Centre (formerly SkyDome) while BCE has a piece of the Montreal Canadiens.



MAPLE LEAF SQUARE

The purchase, not unlike many relationships, is complex. While the two communications giants remain ultra-competitive—fighting like cats and dogs for eyeballs and ears—they don't mind sleeping together to achieve their respective goals.

For the record, the two do have a sports partnership history in Dome Productions and Olympics broadcasts, although both deals were between Rogers and CTV prior to BCE's ownership.



◀ George Cope, President and CEO, Bell Canada and BCE Inc.; Nadir Mohamed, President and CEO, Rogers Communications Inc.; and Larry Tanenbaum, Chairman & CEO of Kilmer Sports Inc. and Chairman Maple Leafs Sports and Entertainment

The key to the MLSE deal lies in a price tag that was way too high for either company to contemplate. But seeing the Toronto Maple Leafs in the sole possession of either Rogers or Bell would have been devastating for the one left standing at the altar.

And so, this marriage of convenience (and wildly potential profit) was born.

The key, of course, is content. People want to watch live sports, and Sportsnet's and TSN's 24/7 sports programming allows full carriage on TV. Radio, too, plays a major role for both broadcasters. Talk programming and game play-by-play programming are mainstays at certain of their stations.

And then there are the key elements in Rogers' and BCE's sports broadcasting direction; mobile and on-line streaming, seen as THE primary driver of this mega-deal. This is where the money is, in advertising sales and in the price of broadcasting rights. Both revenue generators are only going to increase in value.

As one sports-consumer wag said, you can wait until you get home to watch your program choices on the PVR but to miss live action of a crucial game? No way, José!

There's another possible, though lesser, motivation put forth by a communications analyst who suggested that part of the BCE and Rogers motivation was to essentially poke the federal government in the eye. Much of recent telecommunications policy has gone against the big players, e.g the 2008 spectrum auction that set aside frequencies for new entrants and forced Bell, Rogers and Telus to spend more than they expected on spectrum. There was a cabinet order overturning the CRTC that allowed Wind Mobile's parent to open its doors with a lot of foreign financing. And, there was also PMO (Prime Minister's Office) pressure on the CRTC to ditch a favourable decision to Bell on usage-based billing.

*(Editor's Note: Just days after the deal was reached, the CRTC ruled that BCE had to exit agreements*

reached with the NHL and NFL to stream games exclusively to BCE mobile subscribers. BCE was quick to say that it would challenge the ruling because the Commission had overstepped its boundaries. The Commission's ruling also called for BCE to start opening access to competitors. The regulator is worried that large companies such as Rogers and BCE, increasingly relying on content to support their Internet and mobile properties, will slam the door for access to their content on smaller competitors. In September, the Commission ruled that vertically integrated providers had to provide competitors with programming with which they hold the rights on fair and reasonable terms.)

The takeover has to pass muster with the Competition Bureau. The Bureau, protecting consumers, looks into cases of alleged price-fixing. If found, the Competition Bureau will block large, dominant companies from abusing market power.

Some business experts said the deal raises issues for advertisers, fans and other telecom companies. Joseph D'Cruz, of the Rotman School of Management at the University of Toronto, told The Canadian Press that the collaboration between BCE and Rogers is bad news for their competition. Advertisers too, he said, could come out as losers because of a stranglehold on pro sports in Toronto.

## Shaky Beginning

This richest of partnerships in Canadian broadcast sports history had an inauspicious start. Teachers, not having received any bids it deemed suitable from talks which began back in March, said November 25 that it was pulling MLSE off the market.

But just short of a week later, Teachers Private Capital Senior VP Jane Rowe announced that there was an unexpected approach by Rogers and Bell. There was a new unsolicited offer that, she said, met the terms and conditions Teachers wanted.

Before that, however, Teachers was looking to replace long-time MLSE chairman Larry Tanenbaum after the apparent failure of talks. Teachers was frustrated at the impasse in earlier negotiations between Rogers/BCE and Tanenbaum and was about to move to Plan B, the removal of Tanenbaum and the recruitment of new, independent directors with sports and media experience.


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## MAPLE LEAF SPORTS + ENTERTAINMENT

Tanenbaum, apparently, had no idea of what was happening vis-a-vis Teachers' plans. But, in any case, there was significant doubt over the possibility of dumping him due to legal protections he had under a decades-old shareholders agreement.

But thoughts of firing Tanenbaum hit the wall after he pushed the presumed lost takeover deal by removing an expensive obstacle; a demand for broadcast rights at MLSE.

And then, seemingly out of the blue, and within days of the pension plan's decision to pull the plug on talks, the deal was reached.

The agreement, negotiated with Tanenbaum, gives him the right to remain MLSE's chairman for as long as he wishes. He also holds onto his directorships on the boards of the National Hockey League and the National Basketball Association.

### Broadcasting

On the matter of which broadcaster gets to air which MLSE games, that remains a tightly-held secret. We do know that the radio rights for Leafs games will be shared next season; the specifics, however, are still under wraps. As for television, we're told that everything has been decided—both networks carrying all different sports on their platforms—and that the shared model will, as one exec said, "come out in time".

One high profile sports broadcaster said it didn't feel right for those who were brought up to believe that they are supposed to kill the competition. It takes the air out of the balloon for those who are on the firing lines.

And should Maple Leafs GM Brian Burke take umbrage with a Bell Media or Rogers host, who will the bosses appease first?

Another issue for those on the front lines in radio is the matter of guests. The fierce competition has seen regular ESPN sports people on Rogers Radio prohibited from doing the spots because ESPN owns a share of TSN (Bell Media).

Rogers Media president Keith Pelley, at a news conference after the announcement, was quoted as saying: "We're not one big happy family. We're going to continue to compete ferociously. We'll share the MLSE properties, but we'll try to produce our pre-game shows and our game coverage better than theirs."

Meanwhile, the sale won't have an immediate affect on CBC's stranglehold on national TV rights through Hockey Night In Canada, a deal which expires after the 2013-14 season.

We can't help but wonder what Foster Hewitt would make of all this.

—Howard Christensen

