Commissioner Tagliabue
New York Times Judy Battista
January 24, 2006

(On where do you think we're negotiations currently stand…)

Well, getting beyond the characterizations is some really deep disagreements on both economic and on system matters. The economics we have been trying to address most of the past year. A lot of that focuses on the cost increase that the clubs have had. The cost of building new stadiums with private financing like New England, Carolina and some others. The cost of operating these facilities which used to be public and municipal costs are now team costs. Then you have issues that come up from the fact that some of the clubs like New England and Carolina finance the stadiums privately while other clubs are planning publicly financed stadiums.

Cost of facilities beyond the stadiums like the NovaCare Complex (in Philadelphia), which are great for the players and coaches, but everyone tends to take them for granted. There are big costs associated with that. Then you go over to T.V., and the union has the perception that the money is flowing like never before, but the reality is T.V. money used to cover player costs. Now we're getting to the point where T.V. money is falling substantially short of covering player costs.

Just this one example of the proposal we gave to the union last week going out to 2011. We gave it to them a couple weeks ago. We're at player costs 2008, 2009, and 2010 and we're looking at $135 million player costs, $142 million player costs and $155 million players costs per club, per year, and T.V. is $10 million below that when player costs goes to $142 million. That's all media. I'm not just talking about T.V. I'm talking about internet, satellite radio, and video games.

All media revenue that is shared equally is in the neighborhood of $135 million per club, so the player costs is $10 million per club more than all of our media revenue. Yet, we're still not at the point of having resolved the economic issues. That's a big set of issues right there in terms of costs, T.V. and media economics, then you get the third area of economics which has gotten a lot of attention which is local revenue. The big-market teams with the new stadiums vs. the smaller-market teams. All three of these are linked. The cost issue, the private cost issue, throw in coaching costs and all operating costs if you want to into the first bucket which is costs, the second bucket is T.V. and other media revenue, and right now the offer we made from an owner's standpoint turns over all media revenue and then some as player costs.

Then you get into the third area of the big-market teams with the new stadiums, the New Englands and the Philadelphias. Now, Dallas is coming on board and the Jets and Giants vs. the smaller-market teams, some who have stadiums and some of them who don't. We have a lot of disagreements in those areas. When you move over to the system, we have a big issue which focuses on pay for performance. Right now it's focused on two areas. One is the whole performance based pay-pool concept which we started out very small several years ago. Now, this year, there is about $80 million dollars leaguewide going into performance-based pay. It's geared to the players who play the most and who don't have the huge contracts. Next year, that goes to $100 million. It's now to the point where it's more than $3 million per club and $100 million leaguewide, but the clubs would like to double or triple that.

The other piece of that argument centers on the rookie pool and contracts, where there is still. If you do the analysis, a lot of money is going to players who don't pan out, and then you have holdout issues, and then you have issues with the drafted players who do pan out and we have so many examples cited in recent years of third, fourth and fifth-round picks who have turned out to be key guys. So, they do long-term deals when they're drafted and then after two or three years they feel like they're underpaid.

Then from the team perspective, there's a bunch of guys who are overpaid because they are drafted high, and sometimes through the process of development might be playing a lot in the fourth, fifth and sixth year. There's a disconnect between what players are getting paid when they are drafted under the rookie pool even though we've tried to restrain the growth of the rookie pool. There is a disconnect between playing and pay. Those two issues go together. We just have a lot of issues that we can't seem to get a breakthrough on. That's what I said the other day. We resolve one and it seems like we're taking a step forward, and the next time we meet we have a broader array of disagreements and we've taken two steps backward. From my perspective, that's kind of the overview of the economic and system issues.

(On when you talk to Gene Upshaw and the players they think the local revenue issue is the big one that needs to be resolved before anything else can go forward…)

They take that point of view. They certainly feel there needs to be a narrower band in terms of percentages of their own revenues that teams are spending on players. They are very upset that a high-revenue team spending to the cap, their player costs can start with a four…forty-two percent, 44% or 46% of their own revenue. They feel that they never agreed to a system where a club's player costs would be less than 50% as a minimum of their own revenue.

Then at the other end of the spectrum we have some clubs that have been struggling in terms of revenue and their players costs could be 75% of their revenue. We have a band in terms of percentages which is 30 points different, from the low 40's to the low 70's. They would like to narrow that band and maybe pull it down where everybody would have a minimum player cost against their own revenue that would start with a 50 percent plus. Then, from their perspective, they would like it to be revenue sharing where no one at the bottom end would exceed something like a 60 percent plus. They're trying to narrow the band, and that is definitely a big issue, and that in turn links into the internal debate of teams that are performing and teams that are not performing.

Teams that are performing both on and off the field there is obviously a linkage of the way you play on the field and the revenue potential you have in your market, and that gets into the big market vs. small market issue. You have a team like Jacksonville, with a heck of a football team, and their revenue potential is going to be certainly more limited in a small market than Philadelphia, New York or Chicago. That's a big issue and a big issue with Gene. We're working on that both with them and internally. I know we're making progress there, but there are deeper issues of how much player costs should be covered leaguewide by T.V. and media revenue. At what point is there an overreach in terms of what we're spending on players relative to other things that we've done, like NFL Europe? Even though the union gives us a credit it's still costing the clubs a lot of money to run NFL Europe. Up to this point we have been able to maintain it on the basis that it's a terrific international initiative and player development tool which you see with the Jake Delhommes, La'Roi Glovers and Aaron Steckers. I'm concerned that if the economics get too tight from a club standpoint, we're all of a sudden going to jettison NFL Europe and other things we're trying to do in terms of international development of the sport. There are just a lot of issues and when we make some progress we seem to reach a stalemate or go in the other direction.

(On the progress of local revenue negotiations with large vs. small-market teams…)

I think we're making progress there because we're getting a much better handle then we had before on true operating costs that deserve to be deducted from gross revenue. Jerry Richardson, who has been heavily involved with the issue, calls them occupancy costs. Among the owners and the Players Association I think we're getting a good handle of what are the occupancy costs for a team both for its stadium and facilities that are unavoidable. Those costs have to be recognized in some shape or form. Among the owners, I think we're getting a better understanding of the economics of a team in a big, mid and small-size markets in terms of if a owner and team is performing well and what kind of revenues can you expect calibrated to market size.

The sticking point both internally and with the NFLPA tends to be how much of total revenue can you pay to players, and what does it take to be competitive? To be competitive do you have to spend to the cap? Can you be competitive if you only spend to the cap? To be competitive do you have to spend substantially over the cap at least on a periodic basis in order to sign your key players, your Peyton Mannings, and your Marvin Harrisons and your Edgerrin James' on one side of the ball and they also Dwight Freeneys on the other side of the ball, and every team has those.

The argument tends to be both with the union and the owners, is the cap really the measure of spending or have we come to the point where the system really assumes that you're going to spend significant money over the cap on a periodic basis in order to be competitive? That's a tough argument. You can look at examples in both directions where teams have had to do that, and other teams have not had to do that. Where they haven't had to do that, it generally means they have a younger team, and they're going to eventually have to do it if they want to keep that team together. I think internally we're making progress on cost issues and on understating what you can expect a team to do in terms of market size. Then we get bogged down on what does it take to have a winner under this system in terms of money spent on player compensation and that's spilling over to the coaching compensation issue.

Can you expect to win over time if one guy is spending three or four times as much on coaches in terms of salaries and the number of coaches? The number of coaches has exploded as much as the salaries in some places. You go back, and I think we looked at Super Bowl III, and there was one head coach and three or four coaches on each side of the field. I think in the Super Bowl last year, we had almost 20 coaches on each side of the field. I don't know what the disparity is this year. Pittsburgh always seems to be at the lower end of the spectrum and I don't know where Seattle is. Those kinds of issues in terms of what it takes to be a winner is where a lot of the argument is right now.

That in turn goes back to some of the issues of performance-based pay. The owners feel, the lower-revenue in particular, feel that if more money was geared to performance through performance-based pay and through a more effective rookie pool that would help the lower-revenue teams because they wouldn't have those misdirected dollars to players that don't pan out. It's inevitable because of the aging process and how your talent is going to develop; you're going to have misdirected dollars. Those quote-on-quote "misdirected dollars", they have a bigger impact on a lower-revenue team than they do on a higher-revenue team because a high-revenue guy can absorb some of that and a low-revenue guy can't. That becomes a big issue both internally in terms of revenue sharing to help "me" cope with the rookie pool, and that in turn always becomes an issue with the Players Association where Gene says that's part of the game. You're going to overpay some people and underpay others. It's not a science; it's an art. But, to the extent the misdirected dollars can be redirected there that's a big issue. Especially if the cap grows. A lot of these issues are inherit in the system or intrinsic in the system, but when you're spending $50 million dollars a year on players, the dollars that turn up in the dead money category under the cap are not as significant as when you are spending $140 or $150 million on players because that's where the cap is on an annual basis. All of sudden the dead money starts becoming $10 million plus per year and people realize that's money that could have a big impact on how I deal with my player costs. Some of the issues are because of prosperity and things that were once accepted as bumps in the road are now things that need to be addressed and resolved.

(On what he expects from the upcoming meeting…)

I don't expect much meaning votes or definitive decisions because we have to get further along with the Players Association in order for people to have a mindset of "ok now I can see where we're going and I'm prepared to buy into that, therefore I'm prepared to vote on this." If I didn't expect much, I wouldn't be having the meeting. It's a very important meeting in terms of understanding A, where we are, and B, what are the solutions to these problems where we need to start buying into and getting a consensus. If we don't have that type of progress towards a consensus, then Katie bar the door, we're never going to have something that takes place before the league year kicks off on the 3rd of March.

(On are you optimistic that a deal can still be reached by then…)

Right now we're operating on the premise that we're going to be well into March, maybe out to the March league meeting, which is at the end of the month, before we get all these pieces of the puzzle to fall into place, and that's if we can get them to fall in place. Like I said before, the clubs better be operating on the premise that come March 3rd we will not have an extension, and you and the player agents you're dealing with better treat that as your premise.

We still need to have meetings like we're having this week to see if we can get a shot at getting it done. That would become very disruptive, going into the final year of the cap without an extension. In terms of prorating, it's frozen at four years. You don't have the June 1 rule. A lot of things come into play there that are disruptive both for the teams and players.

One of the other things we're trying to do which emerged recently, which is under the header of one step forward is we're thinking that we're beginning to get a consensus on the two sides in collective bargaining that rather than have a cap that gets announced in early February after the Super Bowl, we're working on a system where the cap could be pegged in dollars for three seasons. We would commit in advance that the cap would be at these levels for the next three seasons so that there would be an increased ability to plan your contracts and less uncertainty as you try to keep a team together. At this point, it seems everyone feels that it would be better for the teams and the players. It's hard to do because we're going to make some commitments that depending on what happens to the economy and a lot of different areas we may be over committing, but hopefully not. The concept would be fix the cap for three seasons in dollars, and then at the end of season one, you'd have a "evergreen" concept. You'd always be including one year, but setting the cap in dollar amount for the third year out. You'd always be looking at three years where the cap would be known in dollar terms. I think when I say we take one step forward and two steps back, that's an example where we have taken a step forward, and we're pretty well in agreement that can work and would be a good thing. A lot of issues yet to be resolved that are part and parcel of the broader deal.

(On what are the steps backward…)

The steps backward tend to be in these economic areas, revenue disparity, and issues that affect the big and small-market clubs. That's where we think we have progress, and then all of sudden we realize we're nowhere.

(On how often are you negotiating…)

We have been meeting three times a week since the first of the year.

(On can you imagine a situation in terms of coaching staff size where we would have a limit…)

No, I don't think that's anything that anyone is contemplating. The issue there is players cite that as an example where spending is exploding for some teams which from their perspective takes money out of the pot that should be directed to them. From an owner standpoint it raises an issue of the ability to be competitive. It's an issue on both sides of the table for some same and different reasons. It's something we're going to have to live with, but it's going to effect both the labor agreement and the revenue-sharing formula.

(On do you agree with Gene that the internal debate has to be resolved before a CBA can get done…)

I view it the other way around. I think we have to get a CBA done so people can say now I see the deal and now I'm prepared to pay for it the following way. If the owners are sitting in the room with a moving target and the CBA might be here for the next six years, or the CBA might not be here for the next six years, there's no way to get people to make a decision. We're talking about player costs over the next six years per team that are going to be approaching a billion dollars. I haven't done that calculation, but I'm looking here at player costs under our current offer on a per team basis that would grow from $120-125 million at the beginning of the deal per team, per year, to $165 million at the end for six years 2006-2011. You're talking about probably $140-145 million average times six, we're talking about $850 million per team. Depending on how those numbers get finalized that has a big impact on what people are prepared to do to subsidize other teams' operations. I'm trying to keep the two conversations going on parallel tracks, but there is no way to get the owners to come to agreement on how the costs should be shared until they know what the costs are. One owner has said many times, one member of the CEC, tell me what the bill is and then I'll take my credit card out. From an owner standpoint, at least with the high-revenue guys, from their point of view, when they're subsidizing other teams operations it is like a credit card.