
APPENDIX B – NHL OWNER’S CONFIDENTIAL ISSUES MEMORANDUM

NEGOTIATION AND THE BUSINESS ENVIRONMENT

THE NATIONAL HOCKEY LEAGUE LOCKOUT OF 2004-2005:

NHL OWNERS CONFIDENTIAL ISSUES MEMORANDUM

You are on the negotiating team representing the National Hockey League Owners and their governance committee called the Board of Governors (congratulations!). Your job is to negotiate the best possible deal for your employer during the current renegotiation of the Collective Bargaining Agreement (CBA). You are negotiating across the table from the National Hockey League Players Association (NHLPA), the preeminent union representing the vast majority of current NHL players. Your team will receive points – as detailed below – for every issue you can successfully negotiate in your favor.

YOU MUST OBTAIN: Successfully obtain the following item for your side and receive the allocated points pertaining to the total dollar figure negotiated. If you cannot obtain this item you receive zero points FOR THE ENTIRE LOCKOUT NEGOTIATION. This issue is a must for you!

- **SALARY CAP:** Keep in mind that this concept does not have to be phrased specifically as a “salary cap.” What you really want is “cost-certainty,” meaning that you want to know in advance the maximum amount each team will have to pay each season for its aggregate

players' salaries and, upon approval of this salary cap, salaries cannot exceed this upper limit. This is much different from a luxury tax that only affects the richest NHL owners who can afford to pay skyrocketing salaries. The players will not be very enthusiastic about this proposal but it is a must-have for your side considering the current economic state of the NHL. Assume each NHL team generated \$60 million in revenues (not profit) on average at the end of last season.

<i>NEGOTIATION RESULT</i>	<i>POINTS ALLOCATED</i>
OBTAIN A SALARY CAP OF LESS THAN \$30 MILLION PER TEAM	50 POINTS
OBTAIN A SALARY CAP BETWEEN \$30 MILLION AND \$45 MILLION PER TEAM	30 POINTS
OBTAIN A SALARY CAP OF GREATER THAN \$45 MILLION PER TEAM	10 POINTS

YOU WOULD LIKE TO OBTAIN. You should try to successfully obtain each of the following items. However, if you encounter difficulty obtaining any particular issue below the negotiation will not result in a complete failure. If you successfully negotiate an issue, you receive the

points that correlate most appropriately to the terms you agree to. If you fail to agree on any of the items below, you receive zero points for that issue only while keeping the points you obtained elsewhere.

- **PLAYER SALARIES SHOULD BE TIED TO A LOW PERCENTAGE OF NHL REVENUE:** You would like to maximize the percentage of NHL revenue going towards your bottom line and not towards your players' salaries. One way to do this is a salary cap and another is tying league revenue to salaries – although obtaining both a salary cap and revenue tying is the best for your position. Therefore, try to obtain an agreement whereby the total of player salaries is tied directly to a low percentage of the aggregate annual revenue generated by the NHL.

<i>NEGOTIATION RESULT</i>	<i>POINTS ALLOCATED</i>
LINK PLAYER SALARIES TO LESS THAN 30% OF NHL REVENUE	15 POINTS
LINK PLAYER SALARIES TO BETWEEN 30% AND 60% OF NHL REVENUE	10 POINTS
LINK PLAYER SALARIES TO GRETER THAN 60% OF NHL REVENUE	5 POINTS

- **START THE UPCOMING SEASON ON TIME:** You would like to see all players ready to start the upcoming season fully prepared – including remaining physically fit and in the proper mental state. Training camps must open by September 1, 2006 to have a meaningful season.

<i>NEGOTIATION RESULT</i>	<i>POINTS ALLOCATED</i>
PLAYERS ARE READY FOR TRAINING CAMP ON OR BY SEPTEMBER 1, 2006	10 POINTS
PLAYERS ARE READY FOR TRAINING CAMP BETWEEN SEPT. 2 AND OCT .1, 2006	5 POINTS
PLAYERS ARE NOT READY FOR TRAINING CAMP UNTIL AFTER OCTOBER 1, 2006	0 POINTS

YOU ARE AMBIVALENT ABOUT OBTAINING. You should try to successfully negotiate this issue; but, your negotiation will be an overall success even if you obtain only a few points here.

- **MINIMIZE FREE AGENCY:** You would like to see NHL players obtain free agent status after as many accumulated seasons in the NHL as possible so that other teams are not allowed to make outrageously high offers and manipulate the market price of all NHL player salaries.

<i>NEGOTIATION RESULT</i>	<i>POINTS ALLOCATED</i>
PLAYERS BECOME FREE AGENTS AFTER FIVE ACCUMULATED NHL SEASONS	15 POINTS
PLAYERS BECOME FREE AGENTS ANYTIME BETWEEN THE START OF THEIR SECOND AND THE END OF THEIR FIFTH ACCUMULATED NHL SEASON	10 POINTS
PLAYERS BECOME FREE AGENTS AS SOON AS THEY ENTER THE NHL (ROOKIES)	5 POINTS