

Expansion of the Sports Broadcasting Rights Market: How Long Will It Continue to Grow?

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From the spring of 2001 to the summer of 2002, it seemed many times that the long honeymoon between sports and television had begun to go sour. In May 2001, the largest sports marketing firm in the world, Swiss-based International Sports, Culture & Leisure Marketing A. G. (ISL), collapsed. At the end of March 2002, ITV Digital, the British pay digital terrestrial broadcaster, and in April, the giant Kirch Media Group, which had pioneered digital satellite broadcasting in Germany, were both placed under the control of financial administrators. Then in Italy, the start of the Serie A pro football 2002/3 season, due to kick off on August 31, was delayed by two weeks.

Of course, it might be considered inappropriate to lump together the bankruptcies of a market firm and media enterprises. Moreover, the postponement of the annual kickoff of the regular Serie A season is in a whole different league again. Nevertheless, all these events share a common thread—sports broadcasting rights. The events above probably signal a tectonic shift in the relationship between sports and business, which has been the magic wand for all concerned, generating huge amounts of money over the last fifty years of TV's explosive growth, particularly in the rich industrialized nations.

In addition to handling marketing for its mainline operations, the Olympic Games and FIFA World Cup, ISL excessively expanded and diversified into broadcast rights for, among others, the Association of Tennis Professionals (ATP) and Championship Auto Racing Teams (CART), which put the firm's finances under pressure. ISL reportedly guaranteed payment for ten years of the rights to broadcast ATP tours. The mistake of predicting that the price of sports broadcasting rights would go on skyrocketing pushed the world's largest marketing firm into bankruptcy.

ISL, which had long led the sports marketing business that began in the 1970s, successfully packaged and globalized sports, priding itself on being a winner without medals. Ironically, the company collapsed at almost the same time the International Olympic Committee began trying to scale back the Olympic Games. The enormous confusion that the ISL bankruptcy caused for the marketing of the 2002 World Cup, which was to be co-hosted just a year

later by Japan and South Korea, including on the sales of broadcasting rights and sponsorship of the competition, is still a fresh memory.

Over-investment in sports broadcasting was also the main cause of the record German postwar bankruptcy of the Kirch Media Group, with debts of 6.5 billion euro (about 750 billion yen). Kirch Media invested 2.8 billion Swiss francs (280 billion yen at the time of the agreement) to acquire not only the worldwide broadcast rights to the 2002 and 2006 FIFA World Cups in conjunction with ISL, but also rights to broadcasting in Europe of the main European and South American football tournaments, the top German Bundesliga league, F1 Formula Racing and other major sporting events. The plan was to snap up these top sporting broadcast rights and to use them as “killer-content” to drive subscriptions to Premiere, the company’s satellite broadcasting service, higher. The increase in income from new subscribers fell far short of the investment figure, however, and the plan went up in smoke. Although difficult to believe, the group reportedly tied up the rights to F1 broadcasting for the next 100 years. This is one reason why some commentators say its investors may have confused the holding of long-term broadcast rights, the prospects for recouping investment costs of which are doubtful, with the holding of assets.

ISL and Kirch claim that the eccentric approach to payment for the rights to broadcast the World Cup did not cause their bankruptcies, but it is difficult to avoid this impression. Nor is that all. By calling into question the huge investment required for sports broadcasts, the bankruptcies did considerable damage to the image of Asia’s first World Cup tournament. The wider responsibility for this damage is no less serious than the corporate failures.

The main reason for the failure of ITV Digital, the second terrestrial digital broadcaster in Britain after the BBC, was because in trying to imitate rival BSkyB, which had a lead in the market for pay satellite broadcasting, it failed to win the support of viewers. The larger impact of the firm’s bankruptcy was in terms of the heavy blow it dealt to the sport itself. ITV Digital’s bankruptcy left unpaid broadcasting rights fees of 180 million pounds (about 32.6 billion yen) to English football’s first and second divisions. Before the payment of the balance of this money, the company attempted to negotiate a lowering of these fees but was rejected, and this situation directly triggered the bankruptcy. In the top Premier League Division, BSkyB currently holds the live broadcast rights to the three seasons through 2003, after paying 1.11 billion pounds (about 177.6 billion yen) to secure them. When the costs of pay-per-view, highlights package, and other rights are included, the total money riding on the Premier League for the three years comes to an astronomical 1.6 billion pounds (about 256 billion yen).

ITV Digital gambled huge amounts of money on the “poor cousins” in the lower leagues, but the move resulted in failure. Its collapse had an immediate and direct impact on the league clubs. Just one month later, first division Bradford City Club followed it into the bankruptcy courts. Having once been a popular team in the Premier League, Bradford was aiming to return there with the help of ITV Digital’s money, which had been used to beef up its roster of top players. For the same reason, first division Halifax Town also collapsed, and at one stage there was speculation that almost half of the seventy-two teams in the second and third divisions could have followed suit. That the newly emerging digital broadcasters would agree to pay such huge sums even for these poor-cousin leagues, is surprising enough, but even more astonishing is the fact the failure of just one media firm in the birthplace of modern football threw into question the survival of the entire grassroots league. The fact is that broadcasting rights held by bankrupt firms provoked a crisis in the sport itself.

The postponement of the Italian Serie A was also unprecedented. For the past several years, two pay satellite broadcasters, Telepiu and Stream, competed to win the rights to live broadcasts. It has been some time since the Italian public broadcaster RAI has been able to afford only highlights rights. Like the method employed in Japanese pro baseball, broadcast rights for Serie A are decided not by the league itself but in individual negotiations with the clubs. For this reason, AC Milan, Juventus, Inter Milan, Rome, and other popular clubs agreed to sell rights to one of the two pay satellite broadcasters. However, the backbone lower eight teams, including A. C. Perugia, on which Japanese star Nakata Hidetoshi used to play, were unable to conclude negotiations with the broadcasters as the August 31 kickoff loomed. The teams demanded 10 million euro (about 1.16 billion yen) per team, but the two broadcasters offered less than half this at 4.7 million euro (about 547.55 million yen). As a result, Serie A, estimating that it would take another two weeks to hammer out an agreement, delayed the opening of the entire league until September 14. Even as the talks entered September, negotiations stalled and the eight teams resolved to boycott the season. But with financing that included money from richer teams that already had an agreement, the boycott was avoided. Serie A and the English lower division teams are in the same situation in terms of how broadcast fees determine the fate of clubs, but there has never been an incident when the failure to negotiate broadcast rights has stopped any of the world’s top sporting events.

TV stations broadcast sporting events after paying a fee for the right to do so. If negotiations for these rights cannot be concluded, even if broadcasting does not happen, the events and matches themselves should ordinarily go

ahead. To not hold matches because there is no TV deal overturns the natural order of things. Yet this is the abnormal and unprecedented state of affairs that has taken hold in the world of sports.

In the backdrop of this situation is the increasing conviction at TV stations that the broadcast fees they are being charged are too high, particularly with the constant drain of star players because of huge salaries and the transfer fee business. But what can also no longer be overlooked is the very contemporary factor of media takeovers that work to the disadvantage of the clubs during negotiations. When the Italian negotiations ran into trouble, Telepiu and Stream both quickly moved toward merger talks with the Rupert Murdoch-led News Corporation. The move checked a bidding war for rights. This spoke volumes about a partial collapse of the mechanism that drove prices for sports broadcasting rights ever higher.

Although the circumstances surrounding each stage of this chain-reaction like series of events from spring 2001 to summer 2002 are different, taken together they seemed to indicate that sport broadcast rights and the peripheral business environment had reached a turning point. At some point I think we will look back on this year as pivotal. For that future day, this report provides a record, from the viewpoint of broadcasters, of the enormous growth and change in sports broadcasting rights.

It goes without saying that sports and broadcasting have been indispensable to each other's development. Because of broadcasting, a stadium that holds 100,000 paying customers can reach audiences of over 10 million, and sometimes hundreds of millions. As a result, broadcasting fees have been used to upgrade sports facilities and buy better players and has thereby contributed to the expansion of the infrastructure of sports. And for the broadcasters, sport has been the star of programming since day one on air, and has continued to be central to their basic strategies of programming expansion.

The former president of the International Olympic Committee, Juan Antonio Samaranch, said at the EBU General Assembly in October 1992, "Television needs sports. However, sport without television is nothing." Few statements more eloquently convey the close relationship between sports and TV as a business. But the events above seem to indicate that a paradox has emerged as a result of sport's over-dependence on TV, and TV's frantic attempts to acquire "killer content." If that is indeed the case, both sides in some shape or form will have to move away from their codependence on each other. This is the significance of the souring of the honeymoon.

THE EARLY HISTORY OF SPORTS RIGHTS

Television seemed to have an affinity with sports from the beginning. In 1920, the year that the world's first radio broadcast took place in the United States, Babe Ruth moved from the Boston Red Sox to the New York Yankees.¹ The huge number of home runs he churned out opened the curtain on the pre-World War II Golden Era, the era of the slugfest, in Major League baseball.

In the same year, the Olympic Games, which had been suspended by World War I, resumed in Antwerp after a break of eight years. The 7th Olympiad melded the much-longed-for world peace with the Olympic philosophy advocated by founder of the modern Olympics Baron Pierre de Coubertin (1863–1937), and gave momentum to the subsequent rapid development of the Games. It was also the year of the launch of the League of Nations, the enactment of Prohibition in the U.S., and the establishment of the Negro Baseball League. As early as the following year, in 1921, radio coverage of the World Series with running commentaries began, and, as America's national pastime, the major league grew in prosperity hand in hand with radio.

Japan was also quick to launch live sports broadcasting. Radio began in March 1925, and just two years later, on August 13, 1927, NHK's Osaka station transmitted the 13th All-Japan Middle School Baseball Tournament (now the All-Japan High School Baseball Championship Tournament) from Koshien Stadium near that city. The 1927 annual report of NHK's Kansai bureau, stated that "This was the start of live baseball broadcasting in Japan." It was the country's first sports broadcast.

Soon after, NHK's Tokyo station broadcast a regular school baseball tournament from Jingu Gaien Stadium on August 24th, the Pan-Pacific Aquatic Championship meet from Tamagawa Pool on October 1st, and the Tokyo Six-University Baseball League also from Jingu Gaien on October 15th. This was the era of pre-air censorship of all broadcasts. Censoring scriptless live sports broadcasts, however, is impossible, so a censor with jamming equipment sat in the booth and oversaw the broadcast, able to order its termination at any time. Nevertheless, play-by-play radio broadcasting in a very short time expanded from baseball and swimming competitions into sumo wrestling, track and field, tennis, rugby, boating, boxing, football, skiing, and horse racing.

There are a number of reasons for the compatibility of sports and broadcasting, including the sense of real time, of actually being there, the sense of

¹ On November 2, 1920, Westinghouse set up radio broadcaster KDKA in Pittsburgh, the world's first bona fide broadcaster, with a transmission signal of 100 watts. It followed the voting tally in the presidential election that year.

unity with others through the sharing of an artificial space and the drama of not knowing what's going to come next. With play taking care of itself once a game begins and no need for rehearsals, the benefits far outweigh the costs.

More importantly, the early years of broadcasting, especially in Japan, was an era when freedom of speech and beliefs was severely restricted, which is precisely why the general public looked for healthy entertainment in play-by-play radio sports broadcasting. The rapid growth of live sports broadcasts in Japan was probably the result of the mass appeal in a tightly controlled society of the power of the message inherent in sports.

In the world of television too, which began in 1928 with General Electric's test broadcast,² it was not long before the start of live sports telecasts. Some commentators say that, excluding test runs, the live transmission by what was then the German Reich Broadcaster (Reichssender) of the 1935 track and field tournament from Tempelhof Stadium was the world's first live TV sports broadcast. The Reichssender live coverage of the following year's Berlin Olympic Games allowed a total of 160,000 people to watch sports events that were taking place simultaneously, at specially set-up cable-linked exhibition centers in a total of eight cities including Berlin, Hamburg, and Leipzig.³ That was the first step toward the contemporary Olympic broadcasts watched by 30 billion people during one Olympiad.

The way the Nazis utilized the power of broadcasting as a medium of propaganda had the same root as sports marketing, which achieved stupendous growth in a later age, mainly through live TV telecasts. However, the business world did not catch on to this potential until well after World War II had ended. In Britain, the BBC broadcast part of the 1937 FA Cup football tournament, in 1938 showed the league's entire final match live, and in the same period began live relays of the Wimbledon Tennis Championship. On August 25, 1939, New York's WNBC showed the first-ever live TV coverage of baseball, covering the Brooklyn Dodgers versus the Cincinnati Reds. However, the start of World War II snuffed out these early live TV sports broadcasts, which had begun at roughly the same time in Europe and the United States, in one country after another.

Experiments in Japan aimed at outdoing the live TV broadcasts of the Berlin Olympic Games were carried out in preparation for the hosting of the Tokyo Olympic Games, scheduled for 1940. But with the intensification of

² On May 11, 1928, General Electric launched the first test TV broadcasts, screening the first television drama, "The Queen's Messenger," in September.

³ Horst Seifart, *The Witness of the Early Days of Olympic Television: Television in the Olympic Games, The New Era*, IOC, 1998.

Japan's aggression in China, even tests began to be severely restricted after the cancellation in 1938 of the planned Games. In later years, Takayanagi Kenjiro, the man known as the father of Japanese television and who was a pioneer of its technical development, wrote: "We were profoundly disappointed, for we had given everything to the effort to broadcast the Olympics and begin full-fledged (as opposed to test) TV broadcasts."⁴ Takayanagi's words foretold the postwar relationship between sports and television broadcasting, the technology of which advanced remarkably with every Olympic Games.

The first Japanese live TV sports broadcast was the test by NHK of two pro baseball matches on June 3, 1951—Daiei vs. Kintetsu and Mainichi vs. Tokyu—from Korakuen Stadium in Tokyo, before NHK began full-fledged broadcasting.⁵

Broadcasting and Payment

In this early period of broadcasting, what sort of pecuniary relationship existed between broadcasting and sports? It is certain that from an early stage payment was demanded of broadcasters. For this study the author tried, without success, to trace exactly when such payment started, how much was paid, and what such payment was called. One "story" goes that in the latter half of the 1920s a Chicago radio station paid several hundred, or perhaps thousand, dollars a year to broadcast live baseball, but there is no evidence available to corroborate this regarding whether the baseball stadium or the baseball team was paid or what that payment was named.

The situation is similarly unclear with the 1932 Los Angeles Olympic Games. NHK was the only broadcaster in the world to give "virtual commentary" broadcasts by which an announcer reconstructed the sporting event, making the Games a monumental tournament in the history of Japanese broadcasting. According to NHK's *Hoso gojunen-shi* [Fifty Years of Broadcasting] (1977), NBC and the U.S. Olympic Organizing Committee became bogged down in financial issues, preventing broadcasting facilities from being set up at the stadiums. This meant that NBC, BBC and other American and European broadcasters abandoned the idea of live play by play, but NHK alone had announcers watch the games, then sprint to a nearby studio and give a sort of pseudo-play-by-play as they replayed the games from their memory and notes. However, it is not clear whether the "tangled financial problem" related to the price for communicating this entertainment event

⁴ Takayanagi Kenjiro, *Terebi kotohajime* [The Birth of Television], Yuhikaku, 1986.

⁵ Hashimoto Kazuo, *Nihon supotsu hososhi* [The History of Japanese Sports Broadcasting], Taishukan, 1992.

called the Olympics, compensation for (expected) lost admission revenue due to the broadcast, or the cost of using facilities inside the stadium.

In the section of Asa Briggs' *The History of Broadcasting in the United Kingdom* that deals with pre-World War II sports broadcasting, the phrase "facility fees" is used repeatedly.⁶ This phrase apparently referred to both the cost of broadcast relay equipment and to use of stadium facilities. The BBC provided for the first time complete live TV coverage of the 1938 FA Cup final, for which it reportedly paid five guineas.⁷ This charge was probably more for the use of facilities rather than for what we today call broadcasting rights.

According to Richard Bunn, the British man who headed the sports department of the European Broadcasting Union for over two decades, facility fees normally referred to the use of individual items like tabletops for broadcasting equipment, chairs, and sometimes even umbrellas.

Moreover, according to the section of Briggs' broadcasting history that deals with the postwar restart of TV broadcasts, while the BBC was able for a period to broadcast sports cheaply, from 1947 television audience numbers grew steadily, and with the flourishing of live boxing coverage, unease about live TV coverage eating into admission fees spread beyond the world of boxing into cricket, football, and various other sporting organizations. The fees for use of broadcast facilities at stadiums, which were extremely cheap at first, may have gradually assumed their significance as compensation for losses of ticket receipts, as the number of television sets grew. This was similar to the earlier era of radio-only broadcasting in Japan when Hanshin Railway, which owned Koshien Stadium, objected to NHK Osaka station's coverage of the All-Japan Middle School Baseball Tournament in the summer of 1927, saying that fewer people will be willing to drag themselves to the stadium under the boiling sun. Far more important than the recognition of both radio and TV as powerful publicity media was the perceived threat of falling audience numbers.

The 1937 Australian High Court ruling in the case of Victoria Park versus George Taylor is instructive on the issue of how the concept of sports broadcasting rights was born. The ruling was on a suit brought by Victoria Park Racecourse in Melbourne against a private citizen, George Taylor, regarding

⁶ Asa Briggs, *The History of Broadcasting in the United Kingdom*. Oxford University Press, 1995.

⁷ Nakamura Yoshiko, "Yoroppa ni okeru supotsu hoso to yunibasaru akusesu" [Sports Broadcasting in Europe and Universal Access], *Supotsu hosoken bijinesu saizensen* [The Front Line Business of Sports Broadcasting Rights], Kadensha, 2001.

broadcasting and engaging in related commercial activity from outside the stadium.⁸

Taylor, who owned a house at the back of the racecourse that allowed him to look over the track, rented out his premises to radio station 2UW at a lower fee than Victoria Park would have charged. 2UW broadcast running commentary and profited from advertising revenue. Arguing that the actions constituted unauthorized use of assets belonging to the track, the owners asked for an injunction to stop Taylor from renting out his house and sued for damages. The High Court ruled, however, that the commercial activity by Taylor and 2UW was not illegal and that an event that can be seen from outside the stadium is part of the "spectacle" and spectacles cannot be considered anyone's asset. In response, Victoria Park encircled the course with a high fence, blocking the "spectacle" from Taylor's house and, by restricting access to the race by the radio station, protected its horse racing assets from unauthorized broadcasting.

This legal precedent remains in force today in Australia. During the 2000 Sydney Olympics, although logistically impossible, the theoretical possibility that a broadcaster without rights to cover the marathons could have done running commentaries from outside the restricted perimeter became a topic for discussion.

Moreover, in an exceptionally rare case during the 1980s in a World Cup's European regional qualifying match in Malta between Malta and East Germany, an East German radio station that did not have broadcast rights to the match rented an apartment overlooking the stadium and provided live coverage from there, because the fees demanded were too high. The EBU records that the East German radio station escaped any censure.⁹

The significance of the Australian High Court's Taylor ruling was that sports play could not be the object of legal protection. Like ballet or theater, sports games are described using the expression "performance." But, whereas the performers and performances of ballet and theater are protected under neighboring rights in copyright law, athletes and their "performances," however creative the physical expression, are not legally protected in the same way, at least when it comes to live broadcasts.

The two authors who wrote about the Taylor case in a book entitled *Ballpark Figures* argued that with this legal ambiguity remaining, sports organizations had to establish some type of access rights in order to protect their

⁸ Federal High Court of Australia, "Victoria Park vs G. Taylor," in Nick Mulcahy and Matt Rubenstein, *Ballpark Figures: The Real Cost of Sports Broadcasting Rights*, Gilbert & Tobin, 1998.

⁹ Conversation with former EBU Controller of Sport Richard Bunn.

assets. The authors said that event organizers and stadium owners set conditions for access by professionals with recording and photography equipment and raised the price of access to games and players, bringing into existence the concept of sports broadcast rights. Considered this way, the fact that even the East German radio station was not penalized for its unusual “broadcast piracy” in Malta becomes a little easier to understand. Before the term “broadcasting rights” had been firmly established, Radiotelevisione Italiana (RAI) paid what was called a “disturbance fee” to the organizational committee for the 1956 Winter Olympics in Cortina d’Ampezzo, Italy.¹⁰

Whatever the origin may be—whether the need for payment to compensate for loss of admission fees, or to pay for use of facilities—the practice of sports broadcasting rights, once it had come into its own, achieved rapid growth when TV broadcasting resumed after World War II. In the United States, live broadcasts of the major leagues resumed in 1946 and New York’s WNBC paid 75,000 dollars for the right to cover Yankee games, triggering an intense war over broadcast rights by the three major U.S. networks.¹¹

In Japan, which was late to start TV broadcasts, Nippon Television Network (NTV) and NHK in February 1954 paid 170,00 yen and 250,000 yen respectively for joint rights to a live broadcast of the world wrestling tag championship of pro wrestling team Rikidozan and Kimura Masahiko versus the American Sharpe Brothers, Ben and Mike.¹² TV broadcasts were inaugurated in February the previous year by NHK and in August by NTV. Live sports broadcasts of baseball had already started but it is unclear whether the term “broadcast rights” was in use before the Rikidozan bout.¹³

Thus, one theory holds that the phrase “sports broadcast rights,” in the sense of event organizers giving someone permission to broadcast, came into use in Japan with the Rikidozan bout.¹⁴ This theory is persuasive when one looks not only at Rikidozan, a showman with a keen business sense who had trained in the United States and imported professional wrestling as a sort of

¹⁰ Sone Toshiro, “The Olympic Host Broadcaster: History and Evolving Role in the New Era,” *NHK Broadcasting Studies*, No. 1, 2002.

¹¹ Kumai Takao, “Amerika ni okeru supotsu no bijinesuka to terebi hosoken” [Sports as a Business and Television Broadcasting Rights in the United States], in *Supotsu hosoken bijinesu saizensen* [The Front Line Business of Sports Broadcasting Rights], Kadensha, 2001.

¹² Oshita Eiji, *Eien no Rikidozan* [Rikidozan Forever], Tokuma Shobo, 1991.

¹³ Pro-baseball TV broadcasts: NTV broadcast for the first time the Yomiuri Giants vs. Hanshin Tigers game from Korakuen Stadium on August 29, 1953. In the same year NTV had live coverage of an exhibition game involving the Major Leagues New York Giants when they visited Japan, the world flyweight boxing title match between Terry Allen and Shirai Yoshio, and the Autumn (Akibasho) Sumo Championship.

¹⁴ Conversation with sports producer Sugiyama Shigeru.

spectacle. Japan was also deeply Americanized, but many people bore antipathy toward the United States as the country began to get back on its feet after defeat in the war. Screened on outdoor television sets around the country, Rikidozan, who beat hulking American opponents with karate chops, helped set off the early boom of television, leaving no doubt about the shared destinies of sports and broadcasting.

At the time, apart from pro baseball, sumo, and a limited number of boxing bouts, professional wrestling, with its strong show-business element, was the only competitive event that could be called a professional sport. NHK and the commercial broadcasters were able to broadcast other domestic sporting events, which the newspaper companies sponsored and called their own, with nominal expenditures that could be categorized as "financial assistance" or subsidies.

At the Rome Games in 1960, fifteen years after the end of World War II, the International Olympic Committee (IOC) introduced for the first time the concept of international sports tournament broadcast rights. Two years earlier the IOC had incorporated the phrase "broadcasting rights" in the Olympic Charter. Rule 49 of the Charter at that time prescribed that the rights should be sold by the organizing committee, with the approval of the IOC, and the revenues distributed in accordance with the IOC's instructions.

With the exception of the United States, global commercial broadcasting was still in its infancy.¹⁵ However, in the year of the Rome Olympics, videotape was developed, picture playback technology and editing speeds made great strides, and television rapidly acquired mobility and potential as an advertising medium.

THE MECHANISM OF SOARING PRICES

In terms of broadcast rights, the FIFA World Football Cup has stolen some of the thunder of the Olympic Games in recent years. The fact that, just before and after the 1996 Atlanta Olympics, broadcasters and broadcasting unions in the world's industrialized countries and territories fixed long-term agreements on broadcasting rights through to the 2008 Summer Olympic Games,

¹⁵ In Japan and Australia, public and commercial TV broadcasting developed in tandem. Following NHK and NTV in 1953, in 1955 KRT (today's TBS) and in 1956 Chubu Nippon Hoso, TV Osaka and other stations opened up for business. In Australia, the Australian Broadcasting Corporation, Channel 7 and Channel 9 were inaugurated in time for the 1956 Melbourne Olympics. In Europe, apart from Britain's ITV, started in 1955, commercial broadcasters were slow to emerge and it was not until the 1980s that the business really took off in the continent.

whereas the price for the rights eventually won in 1996 by the Kirch and ISL alliance for the 2002 and 2006 World Cup tournaments had skyrocketed, gives the impression that the Olympic star is falling.

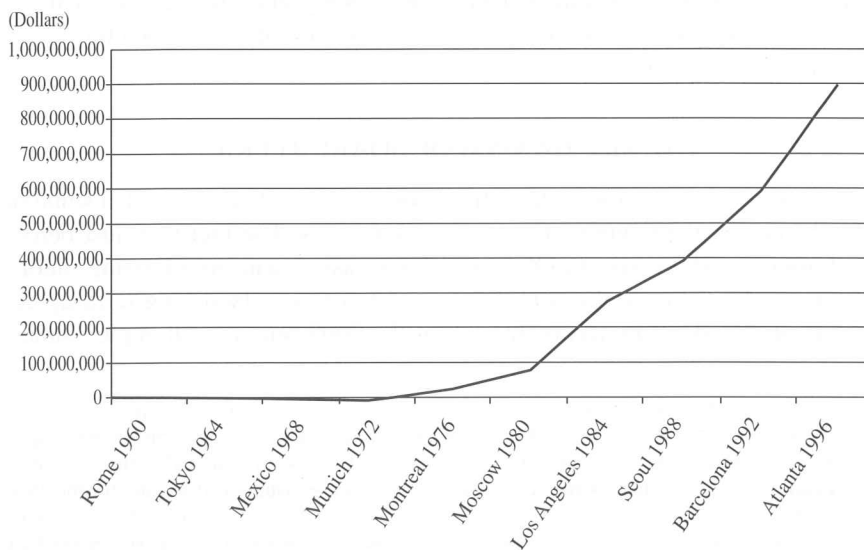
However, this does not necessarily mean that the framework which has enabled Olympic broadcast rights to become a basis for the growth of the sports business over the past 40-plus years has changed. From the history of broadcast rights business, it is clear that the World Cup and various European football tournaments have in recent years grown in size to rank with the once unchallenged prominence of the Olympics and American professional sports. With this in mind, I want to give a chronological account of the most important events that gave momentum to the development of the sports business. This will give us a view into the explosive expansion of sporting events, including non-Olympic events, and the mechanism of soaring broadcast fees.

Rome, 1966: Fight over the Distribution of Rights Revenue

From the 1960s, the numbers of countries, athletes, and so on participating in the Olympic Games, with one exception, grew rapidly. The exception was the 1980 Moscow Olympics. Broadcast fees, also, rose sharply, even at the Moscow Olympics, which were disrupted by a boycott.

Figure 1 shows the total broadcast fees for each summer Games, as pub-

Figure 1. Total Broadcasting Rights Fees up to the 1996 Atlanta Games



Based on: IOC., *Television in the Olympic Games: "The New Era"*

lished in 1998 by the IOC. I have included this figure even though the source documents are extremely vague and their reliability somewhat dubious. The graph does clearly show the relatively slow growth until the middle of the 1970s, and then the sharp incline in growth into the 1980s.

For the sake of accuracy, I also include figure 2, comparing broadcasting fees in the United States, Europe and Japan for the 13 summer Olympics from the 1960 Rome Games to the 2008 Beijing Games. Comparing the 1960-1980 period with today, the growth in costs has been so fast it is impossible to illustrate on one graph.

The IOC, which introduced broadcast rights for the first time during the 1960 Rome Olympics, held a general meeting in the same city six years later, a landmark event in the history of sports broadcasting rights. The International Amateur Athletic Federation (IAAF) and other international sports federations participating in the Olympics demanded a larger share of broadcast rights fees. The IOC president, Avery Brundage, who was a firm believer in amateur sports, withdrew from the meeting in a rage.

Figure 2. Summer Olympic Broadcasting Rights Fees for U.S.A., Europe, and Japan
(Unit: 10,000 dollars)

Olympic Games	U.S.A.			Europe			Japan		
	Broadcasting rights fee	Rights holder	Percentage increase*	Broadcasting rights fee	Rights holder	Percentage increase*	Broadcasting rights fee	Rights holder	Percentage increase*
1960 Rome	60	CBS	—	60	EBU	—	5	NHK	—
1964 Tokyo	100	NBC	66.7	38	EBU	-36.7	50	NHK	900.0
1968 Mexico	850	ABC	750.0	100	EBU	163.2	60	NHK	20.0
1972 Munich	1,350	ABC	58.0	170	EBU	70.0	105	NHK	75.0
1976 Montreal	2,500	ABC	85.2	455	EBU	167.7	130	JP	23.8
1980 Moscow	8,500	NBC	240.0	595	EBU	30.8	850	NET	553.9
1984 Los Angeles	22,500	ABC	164.7	1,980	EBU	232.8	1,850	JP	117.7
1988 Seoul	30,000	NBC	33.3	2,800	EBU	41.4	5,000	JP	170.3
1992 Barcelona	40,100	NBC	33.7	9,000	EBU	221.4	6,250	JP	25.0
1996 Atlanta	45,600	NBC	13.7	24,000	EBU	166.7	9,950	JC	59.2
2000 Sydney	71,500	NBC	56.8	35,000	EBU	45.8	13,500	JC	35.7
2004 Athens	79,300	NBC	10.9	39,400	EBU	12.6	15,500	JC	14.8
2008 Beijing	89,400	NBC	12.7	44,300	EBU	12.4	18,000	JC	16.1

* Compared to the previous Games

Source: IOC

NET=now TV Asahi (Asahi National Broadcasting), JP=Japan Pool, JC=Japan Consortium

This demand by athletic groups for a bigger slice of the fees, the emergence of viewer-oriented sports thanks to remarkable advances in television technology, and the flourishing of professional sports in the United States led by commercial broadcasters were the three factors that helped set the stage for skyrocketing broadcasting rights costs.

In relation first to the technological developments, during the short period from the Rome Olympics in 1960 through the Tokyo Games of 1964, TV Olympic broadcasts underwent a major transformation. The progress of live relay technology enormously boosted the television-centered value of sports.¹⁶ Moreover, the success of live satellite broadcasting and the development of slow-motion video expanded worldwide the sense of participation with athletes and others in sporting events that had until then been felt only by local people. Slow-motion replays provided TV audiences with a perspective that they could not get while watching a game at a stadium. It was the birth of what came to be known afterward as “media sports,” with its focus on spectator sports suited to television viewing.

U.S. commercial broadcasters in the 1950s and 1960s were heading for the golden age of Major League baseball, when the New York “big three”—the NY Yankees, the Brooklyn Dodgers, and the NY Giants—dominated the game. In addition to white star players such as the Yankees’ Joe DiMaggio, Mickey Mantle, and Whitey Ford, African Americans such as the Dodgers’ Jackie Robinson, Roy Campanella, Don Newcombe and the Giants’ Willie Mays and Willie McCovey rose to prominence in an era of growing self-awareness among and sympathy for minorities.

Incidentally, the big three New York baseball teams displayed their overwhelming power in the decade of the 1950s by winning, between them, fourteen league pennants (70 percent of the total) and eight World Series titles. With the popularity of baseball in the world’s biggest market at boiling point, the war for broadcast rights by the Big Three TV networks intensified. This fierce mutual competition ushered in an era when American television broadcasters did not hesitate to pay ever-higher broadcast rights fees as long as they could secure powerful sponsors.¹⁷ The flourishing of television technology and American pro sports helped create an environment, with the Olympics at center stage, where the costs of sports broadcasting rights in other countries around the world was pushed up.

The unprecedented dispute-ridden 1966 IOC Session in Rome concluded

¹⁶ For details, see Sone Toshiro, “The Olympic Host Broadcaster: History and Evolving Role in the New Era,” *NHK Broadcasting Studies*, No. 1, 2002.

¹⁷ The franchise for the Dodgers and the Giants was moved to Los Angeles and San Francisco in 1958, ending the “New York Imperialist Era.”

with two thirds of revenue from broadcast rights going to local organizing committees of the Games and the remaining one-third being divided up between the IOC, the international federations (IFs) and the national Olympic committees (NOCs). The IAAF, even before the Tokyo Games, threatened to withdraw from the competition unless its demand of 3 percent of gate receipts was met. However, the fact that the IOC, the IFs, and the NOCs fought for a slice of income from broadcast rights was an omen that the era of exploding costs was on its way. Instead of revenue from stadium admissions, "TV money" was being positioned as an important source of revenue for people in the sports industry, becoming the main resource for propping up sporting events and providing justification for the rapid rise in broadcast rights costs.

Avery Brundage, while personally extremely wealthy, believed strongly in the purity of amateurism and tried almost fanatically to exclude commercialism from the Olympic Games. Nevertheless, the "Schranz Affair" that occurred at the 1972 Sapporo Winter Olympic Games, and the fact that Brundage erupted in anger twice, were clear signs that the times had changed.¹⁸ Amateur sport, which is believed to have been begun by the Western European nobility as a leisure-time diversion and cultivated in the spirit of chivalry, was starting to change, even in the Olympics, moving out of the hands of the elite and into the hands of commercial interests. That was fourteen years before Juan Antonio Samaranch became president of the IOC.

Lausanne, 1974: The Olympics Turn Pro

Instituted in 1935, the Olympic Charter is a kind of constitution of the Olympic movement that sets forth various rules and regulations concerning the purpose, organization, and operation of the Games. In 1974, the IOC made a major amendment to a section of the Charter that, for most people, had defined the very essence of the Games: the provision restricting participation in the Games to "amateur" competitors was replaced by an eligibility code. The new provision in effect left the question of competitors' pro or amateur status and eligibility for the Games up to the discretion of the IFs. It also allowed competitors to receive prize money or appearance money as long as the activities for which they received such remuneration did not take place during the Olympic Games in which they would compete. The new rule thus permitted professional athletes to take part in the Olympics.

¹⁸ The practice of turning the underside of skis, showing the name of the manufacturer toward the cameras after events was already a common trend in Europe before the Sapporo Games, but IOC president Brundage singled out Austrian World Champion Karl Schranz, charging him with violating the amateur-only rule spelled out in the Olympic Charter and expelling him from the Games.

The abolition of the amateurs-only rule also opened the door to sports marketing businesses keen to commercialize sporting events. Thereafter, the Olympic Games rapidly expanded in scale.

In the current Charter, eligibility for participation in the Olympic Games is prescribed in Chapter 5 (The Olympic Games), Section II (Participation in the Olympic Games), under Rule 45, as follows:

45. Eligibility Code

To be eligible for participation in the Olympic Games a competitor must comply with the Olympic Charter as well as with the rules of the IF concerned as approved by the IOC, and must be entered by his NOC. He must notably:

- respect the spirit of fair play and nonviolence, and behave accordingly on the sportsfield;
- refrain from using substances and procedures prohibited by the rules of the IOC, the IFs or the NOCs;
- respect and comply in all aspects with the Olympic Movement Anti-Doping Code.

By-law to Rule 45

1. Each IF establishes its sport's own eligibility criteria in accordance with the Olympic Charter. Such criteria must be submitted to the IOC Executive Board for approval.
2. The application of the eligibility criteria lies with the IFs, their affiliated national federations and the NOCs in the fields of their respective responsibilities.
3. Except as permitted by the IOC Executive Board, no competitor who participates in the Olympic Games may allow his person, name, picture or sports performances to be used for advertising purposes during the Olympic Games.
4. The entry or participation of a competitor in the Olympic Games shall not be conditional on any financial consideration.

(Source: IOC)

I cite the relevant rule from the version of the Charter current today, when participation in the Games by professional athletes is taken for granted, because in two key respects it is essentially the same as the original 1974 amendment. In other words, it shifts the responsibility for deciding the eligibility of prospective Olympic competitors from the IOC to the IFs and NOCs, and it

prohibits competitors from participating for the purpose of financial gain and from engaging in advertising activities during the relevant Olympic Games.¹⁹

What directly prompted the amendment was the furor over the expulsion of Austrian downhill skier Karl Schranz from the Sapporo Winter Games in 1972, the last year of Avery Brundage's term as IOC president. Another important factor, however, was the growing number of "virtual pros," that is, nominally "amateur" athletes who nonetheless made their living by competing in their respective sports, such as state-sponsored athletes in socialist-block countries and Japanese athletes sponsored by their corporate employers in Japan. The IOC's admission of professional athletes came as the upshot of its reluctant acknowledgment of the widening gap between the ideals of ama-

¹⁹ The following summarizes the main developments in the gradual admission of professional athletes to Olympic events following the abolition of the amateurs-only rule:

1974: IF ban on sponsorship contracts lifted; a succession of corporation-sponsored events are held.

1980: Juan Antonio Samaranch elected IOC president, ushering in the open Olympic era, admitting professional as well as amateur athletes in an effort to make the Games truly the world's greatest sporting event.

1982: The International Amateur Athletic Federation allows athletes to receive prize money and appearance money and to appear in commercial advertising; sponsors start backing even individual athletes; Nike gives Carl Lewis a 2-million-dollar "scholarship."

1983: The Association of National Olympic Committees adopts a resolution giving each national Olympic committee the power to rule on athletes' amateur status.

1984: Professional players take part in the ice hockey event at the Sarajevo Winter Games, and professionals aged 18 and under play in the football event at the Los Angeles Games.

1988: Professional athletes take part in the football, tennis, and equestrian events at the Seoul Games. From this point on, the age limit applying to professional football players in the Olympics is gradually relaxed.

1990: The 96th IOC Session in Tokyo abolishes the rule banning athletes from receiving remuneration; professional athletes can now take part in the Olympic Games as long as their eligibility is approved by their respective IFs and NOCs.

1992: In addition to the "Dream Team" of NBA basketball players, professional athletes take part in the table tennis and wrestling events at the Barcelona Games; the "pro phenomenon" is at its peak.

1994: Professional athletes take part in the figure skating event at the Lillehammer Winter Games.

1996: The volleyball and cycling events at the Atlanta Games are opened to professional athletes, including pro cyclists from Japan.

1998: The ice hockey event at the Nagano Winter Games features a number of "dream teams" as top pros from the NHL play for their respective countries.

2000: Professional baseball players take part in the Sydney Games; the U.S. team consists mainly of minor league players, the Japanese team is a mix of pros and amateurs, and the South Korean team is all-pro; the regular pennant competition in South Korea is suspended while the pro players are at the Games.

teurism, which rested mostly on an enlightened spirit of sportsmanship, and the increasingly apparent realities.

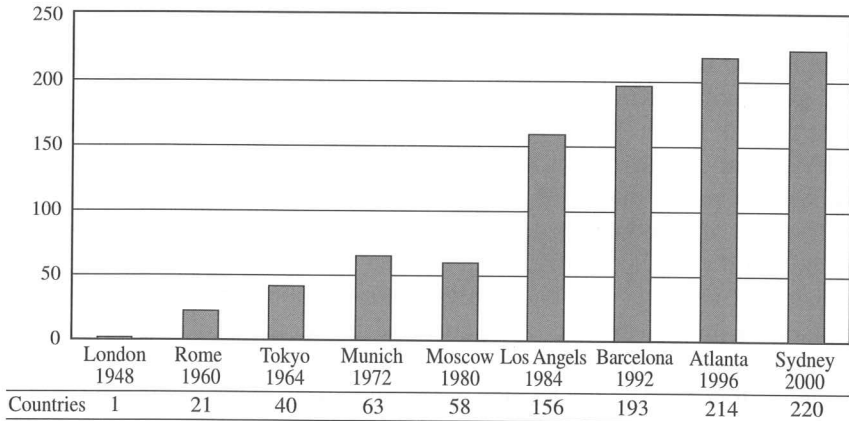
For the sports industry, however, which by the 1970s was beginning to hit full stride, the recognition of professionalism was a momentous change that paved the way for a bright future in business terms. The advancement of television technology had already given birth to "viewer-oriented sport," and the removal of the amateurs-only rule from the Olympic Charter gave the fledgling industry a built-in guarantee of healthy growth.

With the spell of amateurism thus broken, top professional athletes were encouraged to participate in the Games, though the rate of pro influx varied depending on the sporting organizations involved. Billion-dollar runner Carl Lewis dominated the Olympic track for four consecutive Games from Los Angeles (1984) to Atlanta (1996). A little earlier, the Olympic system would not have even acknowledged his existence. Tennis star Steffi Graf, who had resolved to compete at the Seoul Games in 1988 even if it meant jeopardizing her prospects of a Grand Slam (winning the Wimbledon, French Open, U.S. Open, and Australian Open championships in the same calendar year) for a chance to win an Olympic gold medal, captured tennis's first "Golden Grand Slam" that year by winning all five events. The combined annual salaries of the "Dream Team" of NBA players representing the United States in basketball at the 1992 Barcelona Games is reported to have been more than 10 billion yen. Today, probably the only professional sports whose players have yet to be granted unrestricted participation in Olympic events are football, in which the number of top pro players per Olympic team is still limited, Major League all-star baseball, and professional boxing. Even athletes with experience as pro wrestlers have taken part in Olympic competition.

As IOC president Juan Antonio Samaranch's concept of "the best as the standard" took firmer root with each successive Olympics, both the level of competition and the media value of the Games rose sharply. This helps to explain the astronomical amounts paid for broadcasting rights in the 1980s and 1990s (see figure 2). Broadcasting made it possible for the Olympic Games to assemble the world's top athletes, and compensated for the loss of the freshness of amateur competition by making the Games far more interesting to watch.

Figure 3 shows the trend in the number of countries that have had some form of television coverage of the Olympic Games, whether live or by video replay, since in the Rome Olympics in 1960. This trend invites comparison with the sharp rise in broadcasting rights fees over the same period.

It was also in 1974 that Joao Havelange of Brazil became the first person from a non-European country to be elected president of FIFA. Havelange

Figure 3. Number of Countries Broadcasting the Summer Olympics on Television

Based on: IOC ed., *Television in the Olympic Games: "The New Era"*

turned the World Cup, until then held only in either Europe or South America and regarded as "the world's largest local tournament," into a truly global event on a par with the Olympic Games.

Havelange's comment that "we don't need two World Cups" became a key catchphrase during his presidency, summing up his staunch resistance to IOC president Samaranch's eagerness to open Olympic football to professional players as soon as possible. For the FIFA World Cup, which had always been a tournament for the world's top football professionals, the full professionalization of Olympic football was unacceptable, regardless of how many professionals competed in other Olympic sports. From the viewpoint of professionalization of the Olympic Games, 1974 was thus a doubly interesting year.

Buenos Aires, 1978: FIFA Introduces Advertising Signs

The FIFA World Cup finals held in Argentina in 1978 is a classic example of how the event value of sports was radically transformed by creating added value in the stadium scenes covered by television cameras. It was at this tournament that FIFA first allowed advertising signs to be erected in the stadiums.

That was also the year in which the International Television Consortium (ITC) acquired the broadcasting rights for the 1978, 1982, and 1986 World Cups. (In 1987 it acquired the next three tournaments as well.) ITC was formed expressly for that purpose through a tie-up among six regional broadcasting unions centering around the EBU and Organizacion de la Television

Iberoamericana (OTI).²⁰ Although a common Japanese rendering of its name suggests that ITC is a “union of public broadcasters” (*kokyo hoso rengo*), this is not correct. It is true that at the time of ITC’s formation the EBU and the Asia Pacific Broadcasting Union (ABU), for example, included many state-run and public broadcasters, but the major ITC-member broadcasters in Central and South America, such as Brazil’s TV Globo and Mexico’s Televisa, are commercial broadcasters. Strictly speaking, then, ITC is a consortium comprised mainly of public broadcasters.

The idea of introducing advertising signs into televised sports was realized by the world’s first sports marketing company, Britain’s West Nally, one of the founders of which is well-known BBC commentator Peter West. West Nally capitalized on the absence of commercial broadcasters of any prominence within the ITC-central EBU save for Britain’s ITV. Advertising signs placed along the touchline on the far side of the pitch from the cameras remained on screen for the entire match and had immeasurable publicity value. The tremendous commercial merit inherent in televising such pitch-side scenes radically boosted the event’s media value.

By the time of the following World Cup final tournament, held in Spain in 1982, FIFA had packaged the four major football championships—the World Cup, the European Championship, the European Club Champions Cup, and the European Cup-Winners Cup—under the one banner of Intersoccer 4, producing one each year in a four-year cycle. Another West Nally idea, Intersoccer 4 involved a new sponsorship practice whereby the number of sponsors was limited to one per industry. This became the template for the Olympic Program (TOP) of sponsorship adopted later for the Olympic Games.

Four of the eight sponsors of the 1982 World Cup held in Spain were the Japanese companies Canon, JVC, Fuji Film, and Seiko. They represented the combined aspirations of the Japanese business sector as a whole, which was striving to gain greater international recognition at the height of Japan’s economic growth.

At that time, Jack Sakazaki was West Nally’s partner in Japan. In his book *Fea purei* [Fair Play], Sakazaki commented that, whereas the sponsorship fee for the 1982 World Cup was 3 billion yen per sponsor, considering that the sponsors’ billboards appeared on ITC-fed TV screens throughout the world

²⁰ The ITC member organizations were: the European Broadcasting Union (EBU); the Organizacion de la Television Iberoamericana (OTI); the Asia-Pacific Broadcasting Union (ABU); the Organization of International Radio and Television (OIRT, which covered Eastern Europe and was absorbed by the EBU following the collapse of the Soviet Union); the Arab States Broadcasting Union (ASBU); and the Union de la Radio Television National d’Afrique (URTNA, which did not include the Republic of South Africa).

for an average of 16 to 20 minutes per game, the actual publicity value was more like 10 billion yen.²¹

Other statistics for World Cup tournaments of that time help to put this into perspective. The total amounts paid by ITC for the broadcasting rights to the 1978 and 1982 World Cup tournaments were 22.5 million Swiss francs and 39 million Swiss francs, respectively. Operating under the ITC umbrella, NHK acquired exclusive rights to the Japanese domestic broadcast of the same tournaments for 165.82 million yen and 293.62 million yen, respectively. For the Spain tournament, whereas total attendance at the stadiums was 1.85 million, the television coverage reached an aggregate audience of some 9.9 billion in 130 countries.

The following year, 1983, West Nally and Sakazaki again raised eyebrows around the world when, at the first IAAF World Championships in Athletics, held in Helsinki, they put Japanese cassette tape maker TDK's name on every competitor's number patch. Advertising interest had thus already shifted from stationary signs to the athletes themselves. Appearing on both the front and back of the athletes' vests, the letters TDK remained on screen at virtually every camera angle, the athletes serving as moving billboards projecting the company's image to the world. According to Sakazaki, whereas TDK paid 600 million yen for this on-shirt advertising, the value of the publicity effect was ten times that amount, and he recalls that newspapers outside Japan ran headlines such as "TDK Takes Gold at the World Championships!"

In recent years, a sports marketing research group at Juntendo University has been conducting an intriguing study on publicity effect. In 1999, the university's team came in first in the overall competition in the 75th Hakone Ekiden Collegiate Road Relay, taking the event for the ninth time and for the first time in ten years. The study was aimed at calculating the value in advertising fees of the media publicity the university's name received over the two days of the race. Estimates were calculated of spot advertising fees per time slot that would have been incurred for the exposure given to the Juntendo team's uniforms by both Nippon Television Network's (NTV) live coverage of the entire race and the news stories aired by NHK and other Tokyo-based broadcasters. The volume of newspaper articles written about the team was also converted into advertising fees on a per-paragraph basis. The total came to some 557 million yen in television, radio, and newspaper advertising fees.

Like it or not, sport is now firmly entrenched as the greatest and most effective vehicle for advertising.

²¹ Jack K. Sakazaki, *Fea purei: Warudo Kappu o utta nikkeijin* [Fair Play: A Man of Japanese Descent Who Sold the World Cup], Nikkei BP Sha, 1998.

Figure 4-1. Value of Juntendo University's TV Exposure during the 1999 Hakone Ekiden Collegiate Road Relay

TV network	Broadcast date	Start time	Program	Number of network stations	Broadcast time (min.: sec.)	Amount (¥)	Total broadcast time per network (hr.: min.: sec.)
NHK	Jan. 4	5:00 a.m.	Good Morning Japan	Nationwide	1:29	30,000,000	2:58
	"	6:00 a.m.	Good Morning Japan	Nationwide	1:29	30,000,000	
NTV	Jan. 2		75th Hakone Ekiden (Tokyo-Hakone)	28	35:12	45,000,000	2:49:28
	Jan. 3		75th Hakone Ekiden (Hakone-Tokyo)	28	62:21	90,000,000	
	"	11:45 p.m.	Sports Urugusu	1	1:55	2,000,000	
	Jan. 4	5:00 a.m.	Morning Weather	1	7:52	1,500,000	
	"	6:00 a.m.	Zipangu Morning 6	1	6:55	3,200,000	
	"	7:00 a.m.	Zoom-in Morning	28	14:10	30,000,000	
	"	11:45 p.m.	Sports MAX	29	7:38	18,000,000	
	Jan. 5	7:00 a.m.	Zoom-in Morning	28	1:03	5,000,000	
	"	11:45 p.m.	Sports MAX	29	11:58	15,000,000	
	Jan. 10	8:00 a.m.	Sunday +30	29	9:19	10,000,000	
TBS	"	4:00 p.m.	Another Hakone Ekiden	1	11:05	2,500,000	2:34
	Jan. 3	11:15 p.m.	Sports & News	1	30	1,350,000	
	Jan. 4	4:45 a.m.	Good Morning Whale	28	1:03	15,000,000	
	Jan. 5	4:45 a.m.	Good Morning Whale	28	55	15,000,000	
	Jan. 10	10:00 a.m.	Explosive Sports Power	1	6	300,000	
Fuji-TV	Jan. 3	6:00 p.m.	Special Programming	26	45	16,500,000	2:50
	"	5:55 p.m.	Super News	28	1:10	18,000,000	
	Jan. 4	5:55 a.m.	Wake Up TV	27	55	13,000,000	
TV Asahi	Jan. 3	5:30 p.m.	ANN News	24	51	15,000,000	3:21
	Jan. 4	5:50 a.m.	Morning Show for the Curious	1	48	8,000,000	
	"	5:00 p.m.	Super J Channel	24	46	15,000,000	
	"	10:00 p.m.	News Station	24	56	30,000,000	
TV-Tokyo	Jan. 3	11:00 p.m.	Sports TODAY	6	2:07	3,200,000	2:07
						432,550,000	3:03:18

Source: Juntendo University Sports Marketing Office

Figure 4-2. Value of Juntendo University's Newspaper Exposure during 1999 Hakone Ekiden

Newspaper	Area (cm ²)	Yen/cm ²	Amount (Yen)	1 column (cm)	Yen/column
Nikkan Sports	2,503	6,508	16,291,800	40	900,000
Sports Hochi	3,205	1,882	6,031,000	39	280,000
Sankei Sports	1,754	3,591	6,298,500	39	490,000
Sports Nippon	1,452	3,756	5,453,600	38	503,100
Tokyo Chunichi Sports	1,400	1,571	2,200,000	40	220,000
Daily Sports	1,399	1,942	2,717,500	38	261,000
Yomiuri Shinbun	1,710	27,216	46,532,800	39	3,714,000
Asahi Shinbun	648	20,541	13,300,300	39	2,803,000
Mainichi Shinbun	613	14,994	9,189,000	39	2,047,000
Sankei Shinbun	862	7,474	6,440,300	39	1,020,000
Nihon Keizai Shinbun	544	10,729	5,831,600	39	1,463,000
Tokyo Shinbun	847	3,552	3,008,900	39	485,000
Chiba Nippo	470	1,127	530,100	39	154,000
Sankei Shinbun (Chiba)	526	1,125	592,200	39	150,000
Newspaper Totals	17,933		124,417,600		

Source: Juntendo University Sports Marketing Office

With the 1978 FIFA World Cup, the commercialization of sport began in earnest and, with one exception, fees for TV rights to sporting events began to rise sharply across the board. The exception was the FIFA World Cup, the largely public-service nature of ITC keeping the rise in its World Cup broadcasting rights bill to a miraculously moderate rate for the remainder of the twentieth century.

Moscow, 1980: Monopolies and Boycotts

As other sporting events increased their commercial value through TV exposure of billboards, athletes' clothing and so on, the Olympic Games alone maintained its aloofness by adhering to a policy of "clean" (i.e., ad-free) venues. In one sense this attitude contradicted the reality of rapid professionalization and commercialization of the Olympic Games, but the preservation of venues free of all extraneous material—as temples of the gods of sport, as it were—conversely increased the commercial value of the Olympic Games as well.

The four Olympiads held between 1968 and 1980—in Mexico City (1968), Munich (1972), Montreal (1976), and Moscow (1980)—have been dubbed the

four M crises. The label derives not only from the international antagonism that arose out of the Cold War and over racial, religious, and other forms of discrimination, but also from the fact that during this period the Games suffered prolonged financial difficulties due to the immaturity of the fledgling sports-marketing business.

Amid these circumstances, Japanese broadcasters and the EBU experienced contrasting fortunes in their coverage of the Montreal and Moscow Games. Held in the wake of the oil crises, the Montreal Games were the last summer Olympics to incur a major financial loss. Up to the 1992 Barcelona Games, Olympic broadcasting rights were handled not by the IOC but by the host organizing committee. The Montreal Organizing Committee had been allowed a two-thirds share of broadcasting rights revenue in accordance with a resolution adopted by the IOC Session held in Rome in 1966. In order to eliminate its financial troubles, the Montreal Organizing Committee requested much higher broadcasting rights fees than those for previous Games. This marked the transformation of Olympic broadcasting fees into a major source of funds for hosting the Games.

In the United States, the ABC settled on a figure of 25 million dollars, reputed to be close to the organizing committee's original asking price. This figure is not unreasonable, considering, among other factors, the fierce competition over professional sports in the United States and the fact that the United States has the same time zones as Canada. It was, nonetheless, a massive 11.5-million-dollar leap from the 13.5 million dollars the ABC paid for rights to the Munich Games just four years earlier.

The EBU, meanwhile, continued to dispute the fee until just before the Games began. Presumably because of the exorbitant amount requested by the organizing committee, an incensed EBU issued a statement saying that it was prepared to cancel its planned coverage of the Games altogether. In the absence of likely competitors in European broadcasting in those years, the EBU's position was strong. It also had a history of bowing out of the Olympic broadcasting arena because of unsatisfactory conditions: for the Melbourne Games of 1956, in the pre-satellite days when broadcasters depended on film footage flown in from the host country (and before the introduction of broadcasting fees), the EBU suspended all of its planned Olympic television broadcasts and covered the Games by radio only. It did this partly in protest of the Soviet invasion of Hungary that year, and partly because of the prohibitive cost of facilities and the lengthy flight time from Australia to Europe.

The crisis over European coverage of the Montreal Games was resolved at the last minute when IOC president Lord Killanin mediated a deal setting the

fee at 4.55 million dollars. This was, however, still 2.85 million dollars more than the 1.7 million that the EBU had paid for rights to the Munich Games. Given the drawback of a six-hour time difference between Europe and eastern Canada, one can understand why the EBU was still furious about what it saw as an unreasonable price hike.

For the Japanese broadcasting rights to the Montreal Games, NHK and Japan's commercial broadcasters formed the first "Japan pool" and acquired the rights jointly for 1.3 million dollars. This figure was more or less appropriate given the disparity between Japan as a single country and Western Europe as an entire region.

For the next Olympics in Moscow, however, the conditions for Japanese and European broadcasting rights were radically reversed. The afternoon events of the Moscow Games coincided with the "golden time" (7:00 p.m.-11:00 p.m.) on Japanese television. Hoping to monopolize the golden time slot, Nippon Educational Television (NET) got the jump on the broadcasters with which it had formed the first Japan pool in Montreal (NHK, NTV, Tokyo Broadcasting System [TBS], and Fuji TV) and purchased the Moscow rights on its own. The price was a whopping 8.5 million dollars, more than six times that paid by the Japan pool for the previous Games. The EBU, meanwhile, held out for a sweet deal, securing its Moscow rights for 5.95 million dollars—just 1.4 million more than it had paid the previous time—even with the advantage of minimal time difference between Moscow and Western Europe.

Neither NET nor the EBU could have anticipated the Soviet invasion of Afghanistan in late December 1979, just seven months before the Games commenced, nor the unprecedented crisis that arose as Western nations consequently decided to boycott the Games. The EBU minimized the swelling of its rights fees and consequent losses by providing the Soviet broadcasting industry, which had scant experience in international tie-ups, with know-how and talented production personnel. In contrast, Asahi National Broadcasting (the name NET adopted in 1980; popularly known as TV Asahi) slashed its planned total coverage time by 75 percent—from 214 hours to 44 hours and 20 minutes—and pared its live broadcast schedule down to only the most popular events, such as athletics, swimming, gymnastics, judo, and volleyball. With these and other modifications, TV Asahi's dream of monopolizing golden time for two weeks and outperforming its competitors went up in smoke.

The desire to monopolize coverage of major events is not necessarily something to disparage. Not only commercial broadcasters but even national and other public broadcasters funded by taxes and reception fees seek to improve their image and distinctiveness by monopolizing major events, and the more so the higher the broadcasting value of the event.

All the more natural, then, that commercial broadcasters dependent on income from advertising should try to monopolize major events and score high viewer ratings. Furthermore, whether they can acquire sports broadcasting rights often hinges on a process of mutual sounding out between the negotiators and among rival buyers, and on their own financial capacity, even if these are not the only determining factors. This situation gives rise to bidding wars, the simplest and most effective mechanism for triggering skyrocketing rights prices.

In 1980, the year of the Moscow Games, even without boycotts it would have been extremely difficult for any single media company to provide adequate coverage of such a multifaceted and complexly scheduled event as the Olympic Games. For sporting events other than such multi-sport games, however, particularly regular-season sports and tournaments held at the same time each year, monopolized broadcasting amply demonstrated its money-making potential. This accounts for the icy indifference with which the broadcasting industry's criticisms of skyrocketing rights fees are sometimes received.

The Moscow Games came at a time when Japan, having recovered quickly from the 1970s oil crises, was entrenching its place as the world's second greatest economy behind the United States. Nonetheless, compared to the EBU, which broadcast the Games to the whole of Western Europe, NET's right to monopolize Olympic coverage in just one country came at a high price. That solo gambit not only ended disastrously for NET itself, but also set a high market standard for subsequent Olympic and other major sporting event broadcasting rights for Japan.

Lucerne, 1982: The Birth of ISL Marketing

The commercialization of sport moved up a gear in the 1980s. Two key developments in this regard occurred in 1982, both in provincial cities far from major urban centers: the founding of International Sports, Culture & Leisure Marketing A. G. (ISL) in Lucerne, Switzerland, and the first regular, large-scale coverage of the NBA by the cable sports channel ESPN in Bristol, Connecticut, USA. Although the two phenomena were not directly related in any way, in terms of the rapid globalization of sports and sports broadcasting, they had a number of features in common.

ISL was established by West German sporting goods maker Adidas and Japan's major advertising agency Dentsu, the former contributing 51 percent and the latter 49 percent of the capital. Its head office was in Lucerne, not far from Zurich, the home of FIFA headquarters. As one of the investors in West Nally, Adidas owner Horst Dassler had witnessed the success of the 1978 and 1982 World Cup tournaments firsthand. Seeking even greater financial clout,

after the 1982 World Cup Dassler cut his ties with West Nally and teamed up with Dentsu to create marketing giant ISL. The partnership is reputed to have been arranged by Peter Uberroth, president of the organizing committee for the 1984 Olympic Games in Los Angeles.

Juan Antonio Samaranch had been elected seventh IOC president at the IOC Session in 1980. Samaranch, Havelange, Uberroth, Dassler, ISL, Dentsu—the advent of ISL completed the cast of key players in the rapid and massive expansion of the sports business in the final years of the twentieth century.

The role ISL played was to cultivate the successful marketing approach, developed by West Nally for the World Cup and brought to fruition by Uberroth at the Los Angeles Olympics (see below), into a continuing process unfolding on an even larger scale. With advertising signs precluded by the Olympics' "clean venue" policy, instead ISL contracted to be the IOC's exclusive agent and developed the Olympic Program (TOP), a package sponsorship system ensuring funding for future Olympic Games on a long-term basis. Under the new program, one sponsor was chosen for each industry area deemed essential for holding and administering the Games, and the chosen sponsors were granted exclusive rights, including the right to use the official Olympic logo in their advertising. The groundbreaking elements of the TOP system were that sponsorship contracts for each Olympic Games now continued for four years, and that it placed rights to commercial use of the Olympic logo, until then held by the NOCs on a country-to-country basis, entirely under the control of the IOC.

Figure 5. Total Revenue of TOP

	Target Olympics	Number of companies	Amount (Dollars)
TOP I	1988 Calgary 1988 Seoul	9	95 million
TOP II	1992 Albertville 1992 Barcelona	12	175 million
TOP III	1994 Lillehammer 1996 Atlanta	10	376 million
TOP IV	1998 Nagano 2000 Sydney	11	579 million
TOP V	2002 Salt Lake 2004 Athens	10	600 million
		Total:	1,825 million

Source: IOC, TOP V is current as of Feb. 2002

The three main sources of Olympic funding were now broadcasting rights, ticket sales, and sponsorship. Making sponsorship contracts last for four years stabilized Olympic income. In this way, a system was put in place whereby the participating companies supported the overall operation of the Olympic movement and the multinational corporations that sponsor it came to enjoy substantial benefits from that. In sync with the process of economic globalization, ISL thus succeeded in rapidly globalizing the business of fundraising for sporting events as well.

Connecticut, 1982: A National Sport Goes Worldwide

It is important to note how the pioneering shift in cable channel ESPN's programming helped to accelerate the globalization of sports by packaging a national sport along with commercial products on an international scale.

ESPN went into operation in the autumn of 1979 as the world's first 24-hour sports channel. Its schedule of programs, featuring National Collegiate Athletic Association (NCAA) sports such as basketball, football, and baseball, initially centered around broadcasts of NCAA games not covered by the major networks. It covered an extensive range of NCAA events, including those in minor sports in which the networks showed no interest. While ESPN's prime objective was to gather enough content to fill its 24-hour schedule, it placed special emphasis on basketball. Significantly, 1979 was also the year that players "Magic" Johnson and Larry Bird graduated from college and joined the NBA.

Unimaginable as it may seem now, in those days the NBA did not enjoy a degree of public appreciation commensurate with the extraordinary athleticism and skill of its players. The tendency for popular opinion to focus on incidents of narcotic drug use and other misconduct by some of the players, amid rumors of racial discrimination prompted by such behavior, fed on the fact that many of the players were African-American. Among the major networks, CBS held the rights to NBA coverage, but aired only a few games per year. As a sporting event even the all-star game of NBA was ranked below the "final four" (semi-finals and later) games of the NCAA college basketball competition.

After the launch of ESPN's NCAA broadcasts in 1979, however, viewers started to show keen interest in the ongoing careers of former college basketball players who turned pro after graduating. With its 1982 shift to regular broadcasts of the NBA, ESPN preceded the networks in recognizing this seachange in viewer consciousness. The result was an explosive synergy between the sport and the broadcasting of it. By then, Johnson and Bird had become major sporting stars symbolizing all that was good and wholesome in

American society. Operating out of a provincial city in Connecticut and offering a 24-hour schedule of sports centering on the NBA, by 1984, just two years later, ESPN had increased its subscribership to over 34 million households and become an integral part of the American sports fan's life. The NBA's rapid growth thus coincided with the dramatic transformation that took place as television, seeking new frontiers, moved out of the age of terrestrial broadcasting networks constrained by the demands of general programming and entered a new era of specialization.

In 1984, the year of the Los Angeles Olympics, the situation took another crucial turn when the Chicago Bulls basketball club signed University of North Carolina graduate Michael Jordan. Sports shoe maker Nike gave newcomer Jordan a five-year contract worth five million dollars, and released a new line of shoes called Air Jordans. As if boosted by Jordan's inspired aerial play, in just a few years Nike surged into the ranks of such top sporting goods manufacturers as Adidas and Reebok.

In the past, the American sports arena had produced numerous African-American stars whose good looks, good natures, and inimitable strength and grace had captured the hearts of countless fans: baseballer Willie Mays, tennis player Arthur Ashe, and boxer Muhammad Ali, to name a few. Prior to Jordan, however, no non-Caucasian athlete had become a "walking billboard" in a major commercial marketing campaign. In the Wall Street advertising industry, which accounted for about half of the world's total advertising expenditure, a revolution had taken place. Some even went so far as to say that, as the first non-Caucasian embraced by the business of inducing the masses to buy, Jordan became a kind of "god" who reformed American perceptions about the "karma" of a society in which the question of race was ever-present.

In 1989, the terrestrial network rights to the NBA games were transferred from CBS to NBC, the latter bidding the enormous sum of 600 million dollars to hold the rights for four years. When the Dream Team went to the Barcelona Olympics in 1992, the one-sidedness of its games against other national teams transcended the usual understanding of sport as a contest of comparable skills. NBA fever was at its peak, making the league and the Air Jordans that went with it hot commodities all over the world.

In his book *Playing for Keeps*,²² David Halberstam notes that, as the satellite tied commerce with technology, basketball crossed national borders more

²² David Halberstam, *Playing for Keeps: Michael Jordan and the World He Made*, Random House, 1999. A former reporter for the New York Times, Halberstam won the Pulitzer Prize for his coverage of the Vietnam War. His publications include *Best and Brightest* and many other works of sports-related nonfiction.

easily than its American-born rivals American football and baseball. Like it or not, he says, America's chief export up to the 1980s was not mechanical products or automobiles but culture—fast food, Coca Cola, Big Macs, rugged, casual clothes, popular music, movies, TV shows, *and* sports. In this regard, the regular NBA broadcasts started in 1982 by a small cable TV station in Connecticut should be remembered as the first step in a process that turned not the Olympics or the World Cup but a single country's national sport into a worldwide phenomenon.

1984: Uberroth Magic

As president of the organizing committee for the 1984 Los Angeles Olympics, Peter Uberroth piloted the Games to a black-ink balance of 200 million dollars without spending a cent of the host city's taxes. While much has been written, both critical and favorable, about this "Uberroth magic," in this section I would like to focus on how that magic worked in the area of broadcasting.

Two aspects were key in this regard: the application of a system of open bidding for rights to American coverage of the Games, and the establishment of a "technical cooperation fee" separate from broadcasting rights.

Prior to Uberroth's appointment as organizing committee president, the organizing committee and the city of Los Angeles had been at loggerheads with the IOC over the distribution of revenue from broadcasting rights. Whereas the city demanded full control in managing the rights, the IOC insisted that, on the strength of Rule 49 of the Olympic Charter at that time, the selling of the rights and the appropriation of revenues from it require IOC approval and instructions.

With neither side willing to compromise, the dispute became so deadlocked that the Los Angeles city assembly even considered resigning as host city for the Games. A settlement was eventually reached through the mediation of the United States Olympic Committee (USOC), which agreed to cover the organizing committee's losses if, as in the case of Montreal, the Games fell into the red. The city of Los Angeles thus assumed the role of Olympic host city in name only.

In the wake of this controversy, applications were publicly invited for the presidency of the organizing committee, and Uberroth was elected amid fervent hopes that he was the one to steer the Games out of crisis. In negotiations over Olympic broadcasting rights, Uberroth gave top priority to concluding a deal for the rights to American coverage. The twin cornerstones of his approach were open bidding and the setting of a minimum bidding price for broadcasting rights. Using projected viewer ratings as a guide, Uberroth cal-

culated the expected income from advertising for each Olympic program (each sport), and on that basis formulated the market price of Olympic broadcasting rights. Developed in collaboration with Japan's Dentsu, this concept made the Olympic Games itself a distinct commercial commodity.

The figure Uberroth and Dentsu originally came up with as the minimum bidding price for the LA Olympic broadcasting rights in the United States was 300 million dollars. This was seen, however, as too great a leap from the 85 million that NBC paid for the rights to the previous Games in Moscow. To soften the blow, Uberroth devised a separate charge dubbed the "technical cooperation fee." With 200 million dollars as the broadcasting rights fee and 75 million dollars as the technical cooperation fee, the minimum bidding price was then "announced" at 275 million dollars.

The bidding became a tussle between NBC, which had suffered a heavy loss at the Moscow Games, and ABC. ABC eventually won out with a bid of 300 million dollars, of which 225 million was for the broadcasting rights (25 million more than the minimum) and 75 million as the technical cooperation fee.

Uberroth's stroke of "magic" lay in using the Olympic Charter stipulations on the allocation of broadcasting rights income to the organizing committee's own advantage. That is, because the Charter's rules did not apply to the new technical cooperation fee, all income from that fee went to the organizing committee.

Once the rights to the American Olympic coverage were settled, Uberroth proposed separate broadcasting rights fees for the EBU, Japan, Australia, Canada, and so on, by comparing each region or country with the United States in terms of such factors as GNP, number of television sets, population, and spot advertising expenditure. Although settlements were reached only after intense wrangling in each case, from Uberroth's viewpoint these later negotiations proceeded with perfunctory ease.

The EBU and the Japanese rightsholders were hit with heavy hikes in their fees, paying 19.8 million dollars and 18.5 million dollars, respectively (compared with 5.95 million and 8.5 million, respectively, for the Moscow Games). In Japan's case, although the lessons of Moscow had prompted broadcasters to return to the Japan pool, they could not avoid the effect of the market price set by NET's monopoly four years earlier. Considering, however, that Uberroth had initially set the Japanese rights fee at 43 million dollars, one can easily imagine how intense the blow must have been in the negotiations for Japan. By then, the Japanese economy had begun to show signs of an asset-inflated "bubble economy" trend.

The system of charging a technical cooperation fee separate from broad-

casting rights was also adopted at the 1988 Seoul Olympics. From the 1992 Barcelona Games on, the task of negotiating Olympic broadcasting rights was taken out of the hands of each organizing committee and handled directly by the IOC. At the same time, the distribution of income from broadcasting rights was adjusted, giving 60 percent to the organizing committee, 30 percent to the IFs and NOCs, and the remaining 10 percent to the IOC. Overhauling the system of fundraising and fund allocation adopted at the 1966 IOC Session, the IOC assumed direct control of all aspects of Olympic broadcasting rights. These reforms resulted from the lessons Samaranch had learned at the Los Angeles Games, his first as IOC president, when all negotiations over broadcasting rights had already been concluded, leaving him no say in the matter. The IOC, too, had now mastered the magic that Uberroth had demonstrated a few years earlier.

The comparison shown in figure 2 of broadcasting rights fees for Europe, Japan, and the United States is based on IOC records, but in fact the amounts recorded vary by tens of millions of dollars, depending on which documents are referred to. These discrepancies stem from whether or not the technical cooperation fee is included in the amount cited.

The Uberroth magic made marketable commodities out of not only broadcasting rights but also the Olympic flame-bearers' relay, rights to use of the Olympic mascot in advertising, rights to the naming of Olympic stadiums, other forms of participation paid for on a value-in-kind basis, and countless other aspects of the Games. The one-sponsor-per-industry approach adopted for the 1982 FIFA World Cup was introduced in the form of the TOP system two years after the Los Angeles Games, though sponsors were not permitted to place advertising signs inside the Olympic venues.

Even today, the Uberroth approach continues to attract deep-seated condemnation as the root of Olympic commercialism, with numerous diatribes decrying how "it all started with the Los Angeles Olympics." However, considering the plight of Olympic management prior to Los Angeles and the financial destitution of the IOC and other sporting organizations around that time, the merits of Uberroth's management style far outweighed the drawbacks. At the very least, that is a fairer assessment of his legacy. The same can be said about the pros and cons of Samaranch's achievements as IOC president.

What the sports environment needs to be protected against is not commercialization per se but excessive commercialization. To draw a direct link between commercialization and issues of ethical misconduct surrounding the Olympic Games—such as suspected vote-selling by IOC members and doping of athletes—is a rather simplistic, stereotypical kind of criticism. While it

is true that the Olympics underwent considerable changes with the Los Angeles Games, those changes have also attracted a larger following to the Games by making them much more interesting. It cannot be denied that the stable, continuous buildup of financial strength in sports has brought improved venues and higher athlete standards and done much to broaden the bases of sporting activity generally.

London, 1989: The EBU Slips Up

In 1989, the EBU lost its broadcasting rights to the Wimbledon tennis championships, which it had held for the whole of Europe except for Britain. The rights went to a little-known German company called Ufa. Subsequently bought by RTL, Ufa is now one of the core companies in the Bertelsmann Group, German's largest commercial broadcasting group. At the time it acquired the Wimbledon rights, however, Ufa was just a small film production company.

The EBU's blunder grew out of a moment's hesitation. Keenly aware of the imminent advent of subscriber-paid satellite broadcasting, the EBU, after repeated deliberation by its Sports Working Party, came within just ten thousand pounds of a settlement in its negotiations with Trans World International, the agency that handled the Wimbledon rights. With a compromise thus within easy reach, however, the German public broadcasters ARD and ZDF, influential EBU members, objected to the EBU being drawn into a bidding war against such a diminutive rival as Ufa, and the EBU's negotiations came to a halt. In a matter of just a few days, the pan-European rights for terrestrial, satellite, and cable broadcasting of the Wimbledon championships all fell into the hands of Ufa. In this light, the EBU's disastrous misreading of the situation both within Germany and internationally could be attributed to the inflated pride of a European broadcasting industry steeped in the traditions of public broadcasting.

The loss of the Wimbledon rights caused havoc among the EBU member organizations. The only EBU member country that came out unscathed was Britain, where the rights were negotiated directly with the tournament host, the All England Lawn Tennis and Croquet Club. The BBC renewed its rights to the international signal production and the domestic broadcast of the tournament.

Ironically, that year both the men's and women's singles titles went to Germans, Boris Becker and Steffi Graf. At a time when terrestrial broadcasting was still by far the leading form of broadcasting, the only people in Germany itself who were able to watch this triumph for German sport were the tiny minority who had pay cable TV services. Within the EBU, not only

the German broadcasters but also many other terrestrial broadcasters vexed by Ufa had turned down the latter's offers to resell the rights. Disgruntled viewers criticized both Ufa and the EBU.

With the exception of those in Britain, a vast number of viewers throughout Europe were thus deprived of the "common culture" of Wimbledon tennis. That this happened during the heyday of some Europe's finest players—Becker, Graf, Stefan Edberg, and Arantxa Sanchez-Vicario, to name just a few—made the blow doubly painful for European viewers.

London, 1990: BSkyB Corners the Sportscasts Market

Whereas the EBU debacle was triggered by an error of judgment, the rise of sports broadcasting monopolism in Britain the following year led to a case of outright market-cornering through the application of enormous financial power and aggressive business methods. For viewers, this presented an even greater threat to sports broadcast access.

The main protagonist was the satellite broadcaster BSkyB, owned by Rupert Murdoch's News Corporation (News Corp). Since going into operation in November 1990, BSkyB has arrived at its current success by buying sports programs at high prices and airing them on pay channels.

BSkyB started its dragnet for sports broadcasting rights with the World Swimming Championships held in Perth, Australia in January 1991. Securing exclusive worldwide rights to the event, BSkyB got its first taste of the lucrative role of middleman by simply reselling the rights to broadcasters around the world.

In 1992, BSkyB wrested from ITV the broadcasting rights to Britain's most popular football competition, the Premier League. To hold the league's live broadcast rights for five years beginning in 1992, BSkyB paid 340 million pounds, more than six times what ITV had paid for the same rights up to the previous year. The deal gave BSkyB rights to live coverage of 60 matches per season at a rate of at least two matches a week. BSkyB then widened its monopolistic nets to encompass golf, tennis, cricket, and other sports popular in Britain. In 1995 it acquired the broadcasting rights to the Five Nations rugby union tournament—at the time still an amateur sport—and in 1996 added to its collection the rights to the professional and even more popular rugby league matches.

In the case of rugby league, in return for investment of 87 million pounds, it was agreed that players would be prohibited from changing clubs without News Corp's approval. This represented an ambitious attempt by a broadcasting company to cross the line from sportscasting into direct involvement in league management. The company's aspirations toward league domination

even prompted it to attempt to buy the immensely popular Premier League football club Manchester United, an undertaking that failed only at the last minute due to the outcry it sparked from Manchester United supporters and elements within the club itself, which treasures its tradition of close ties to the local community.

Live coverage is the bread and butter of sports broadcasting. Programs aired hours after the event, such as highlights digests, are mere tidbits supplementing the main course. BSkyB's approach of shutting out general viewers and allowing only paying subscribers to enjoy live broadcasts amounted to nothing less than a blockade on sports culture. Although this was not an especially novel tactic, BSkyB attracted heavy criticism for its aggressive, blatantly rapacious business attitude, such as in buying up teams and clubs to beef up its influence over sporting leagues.

This trend became even more marked with the successive renewals of the Premier League broadcasting rights contracts in 1996 and 2000. In 1996, BSkyB renewed its contract for live coverage rights for four years, paying 670 million pounds. Although at the same time the BBC finally managed to pick up the league highlights rights for 73 million pounds, this did little to dispel the overall sense of futility in trying to compete with BSkyB.

The situation worsened in 2000, when BSkyB renewed its contract, this time for just three seasons (2001-2003), for the sum of 1.11 billion pounds. That breaks down to 370 million pounds per year and, with 66 matches broadcast a year, a staggering 5.6 million pounds per match. Meanwhile, the highlights rights were transferred from the BBC to ITV for the price of 138 million pounds. The BBC, now stripped of all television rights to the league, picked up the radio rights, which alone went for the considerable sum of 42 million pounds. In a sense, the BBC's radio rights thus symbolize the integral importance of football in British daily life.

The Premier League came out of the 2000 broadcasting rights negotiations with the astronomical sum of 1.6 billion pounds. As mentioned at the beginning of this article, the fledgling pay terrestrial digital broadcaster ITV Digital collapsed under similar circumstances, in that case by pouring enormous sums into the lower leagues. Why didn't BSkyB suffer a similar fate?

Since the mid-1950s, Britain has implemented a system of controls on monopolistic broadcasting whereby events of interest to the majority of the populace are designated as Listed Events. Figure 6 shows the current list, as revised in 1998 after BSkyB's rights rampage had attracted widespread attention. Considering the listed events in terms of their place in everyday British life, it is difficult to ascertain exactly what the list is meant to regulate. Whereas all major events of an occasional festival-type nature are included,

those comprising a competition such as the Premier League, which has an annual regular season with several matches a week, are not covered by the regulations. The total number of TV viewers of any tournament held only once every two or four years, or at a predetermined time every year, will naturally be far less than that of an ongoing regular-season competition. Club sports played throughout the year and with strong local community support are part of the fabric of everyday British life, and yet they are not protected by the very law expressly established to prevent monopolization of event broadcasting. This explains why BSkyB poured such vast sums into live broadcasting rights to the Premier League. On the other hand, one can also understand the resentment of people no longer able to watch the games live. Even this sophisticated regulatory system, grounded in the recognition of sport as part of society's communal culture, has failed to escape such contradictions. In regard to broadcasting rights, furthermore, it is clear that this system does little to curb the trend of surging rights fees.

In 1996, BSkyB reached for the Olympic Games, making a bid for the pan-

Figure 6. Breakdown of the U.K.'s Listed Events

Group A	Group B
Olympics (Summer/Winter)	Cricket
Football	<ul style="list-style-type: none"> • Test Match (England hosts) • World Cup final / semifinal / U.K. national team matches
<ul style="list-style-type: none"> • World Cup • European Championship • FA Cup final • Scottish FA Cup final 	Wimbledon Tennis preliminaries
Wimbledon Tennis	Rugby
Horsereading	<ul style="list-style-type: none"> • Matches other than World Cup final • Five-Nations* (excluding matches in France)
<ul style="list-style-type: none"> • Grand National • Derby 	Commonwealth Games
Rugby	World Track and Field Championship
<ul style="list-style-type: none"> • Challenge Cup final • World Cup final 	Golf
	<ul style="list-style-type: none"> • Ryder Cup • British Open

* "Five Nations" is now "Six Nations."

Note: Group A: Events for which an exclusive broadcast by a single company, whether terrestrial or satellite, is forbidden.

Group B: Assuming that live broadcast rights have been acquired by satellite broadcasters, highlight and other rights are accorded to terrestrial broadcasters so as to prevent exclusive satellite broadcast for these events.

European broadcasting rights to the last Olympiad of the twentieth century, scheduled to be held in 2000 in Sydney, Australia, Rupert Murdoch's native home. With rumors putting the amount offered for the rights at an incredible two billion dollars, the broadcasting industry worldwide was shocked and outraged by the bid. These developments led to the securing of Olympic broadcasting rights through long-term contracts, as described in a later section.

Zurich, 1996: The Collapse of ITC

It was decided in 1996 that, instead of a vote to choose between them, Japan and South Korea would co-host the 2002 FIFA World Cup. Early in June the same year, roughly one week after that decision, FIFA abandoned its twenty-year TV tie-up with ITC (about the ITC see p. 143–44). Following the bidding war with ITC, the broadcasting rights to the 2002 and 2006 World Cup tournaments went to a partnership made up of the sports marketing firm ISL and the Kirch Media Group, an association of pay-to-view broadcasters—both later went bankrupt—for the price of 2.8 billion Swiss francs. This fee for the rights to just two Cup tournaments was eight times the total amount ITC had paid for the six tournaments held over the previous twenty years (335.5 million Swiss francs). Such a price hike was unprecedented in the history of broadcasting rights, and was said to signal that the inflationary trend in rights fees was not just skyrocketing but getting out of control.

It is not always appropriate to discuss an event's broadcasting rights fees in terms of a comparison with the previous occasion on which that event was held. Variations in the scale of the event and the degree of media demand can make the fees rise, and in some cases even fall, significantly. The greatest factor behind the huge hike in fees for the 2002 and 2006 World Cup rights was the rapid increase in the number of pay-to-view satellite broadcasting services since the first of them appeared in the early 1990s. With these emerging satellite services desperate to find "killer content" to attract more subscribers, and established TV stations also swarming to a limited supply of quality programs, the sports program market had already developed symptoms of an inflationary "bubble."

In the case of the broadcasting rights for the 2002 and 2006 World Cup tournaments, the situation was made even more confusing by the complex entanglement of the Japan-Korea host rivalry with the internal strife afflicting FIFA at the time. The power struggle within the organization became a key political factor that weighed heavily on the fate of broadcasting rights and led to the surge in rights fees.

Around the time Joao Havelange took over the FIFA presidency in 1974, the organization's only real source of income had been the quadrennial World

Cup tournament. Under the Havelange administration, however, FIFA's income grew considerably after its establishment of a succession of other events, including women's, youth, junior and futsal World Championships. Furthermore, with the introduction of advertising billboards beginning with the 1978 World Cup, and the success of the one-sponsor-per-industry sponsorship package system instituted at the 1982 Cup, by the 1990s FIFA had grown into a massive organization rivaling the IOC both financially and in the breadth of its participating countries and regions.

In terms of how its funds were spent, however, FIFA lacked a system of clear-cut regulations comparable to those of the IOC, and the twenty-year Havelange administration was constantly plagued by damaging rumors, particularly concerning its financial affairs. In response to this situation, the Union of European Football Associations (UEFA), one of the leading organizations under the FIFA umbrella, launched a protest campaign demanding greater transparency of FIFA administration and accounting. Ostensibly formulated as a reform proposal called "Vision," in reality the UEFA move represented an outright challenge aimed at bringing down the Havelange administration. A power struggle soon ensued within FIFA between UEFA and the pro-Havelange Central and South American member confederations.

One of the bridgeheads of the UEFA attack was the suggestion put forward in "Vision" that ITC had acquired its twenty years of FIFA broadcasting rights at unreasonably low prices, giving the impression that there was backroom dealing between FIFA management and ITC. This conflict polarized FIFA and became intricately bound up with the Japanese and Korean bids to host the World Cup. Japan, which had no representative on the FIFA executive board, built its campaign for the 2002 World Cup on a basis of total reliance on the existing FIFA administration—or rather on Havelange himself—in the hope that this would ensure support for its drive to be appointed sole host. The Korean side, meanwhile, had as chairman of its bidding committee Chung Mong-Joon, who was serving concurrently in key positions in both FIFA and the Asian Football Confederation. With Chung skillfully applying political pressure—such as by lobbying UEFA to support the Korean bid and issuing statements saying that the broadcasting rights fee for the 2002 World Cup should be at least ten times that for the 1998 tournament in France—Korea edged ahead in the race for Cup host honors.

As FIFA's internal strife deepened and the struggle for hosting the 2002 World Cup neared its climax, the ITC's position worsened with each passing day. Before the FIFA wrangling had reached this level of intensity, the FIFA-ITC negotiations over the broadcasting rights, begun just after the 1994 World Cup held in the United States, had proceeded relatively smoothly, and by early

1996 were nearing agreement on the overall terms. At that point, the ITC's offer for the rights to the 2002 and 2006 World Cup tournaments was already close to one billion Swiss francs. The negotiators on the FIFA side were both key members of the existing administration—Havelange himself and then-secretary general (now president) Joseph Blatter. The anti-Havelange faction trained its attack on this choice of negotiators. Although the ITC naturally had nothing to do with FIFA's internal strife, eventually an odd scenario emerged in which most people regarded the ITC as among the forces seeking to preserve the existing, nontransparent FIFA administration.

A core member of ITC, the EBU also had strong ties with UEFA. Far from being adversaries, the EBU and UEFA were partners in the broadcasting of UEFA matches in Europe. An equally important member of the globe-spanning ITC was the Organizacion de la Television Iberoamericana (OTI), which was closely associated with the Latin American football confederations. OTI president Guillermo Canedo was chairman of Latin America's largest broadcaster, Mexico's Televisa, and at the same time one of the key figures of the Havelange administration as FIFA vice-president. To maintain impartiality, Canedo was not present at any of the FIFA-ITC negotiation sessions. Nevertheless, the fact of his multiple roles lent persuasive force to the anti-Havelange offensive.

Early in 1996, the FIFA-ITC negotiations were on the brink of a broad agreement when FIFA found itself unable to "blow the final whistle" and seal the deal. Instead, the beleaguered Havelange administration gradually slipped into a situation in which self-preservation was its only option. Canedo fell silent, and after the negotiations finally went against ITC, he died suddenly toward the end of the year, still deeply disappointed in the outcome.

Meanwhile, ISL, inheriting the operation nurtured to success by West Nally at the 1982 World Cup in Spain, had been made the exclusive agent for FIFA marketing. In the end, ITC lost the FIFA broadcasting rights, and ISL made Kirch Media its financial partner in covering the World Cup. When Kirch Media, a company low in both capability and experience, was thus chosen to provide the television signal for the world's largest sporting tournament, the reaction of virtually everyone concerned was "Kirch who?"

After the sale of the 2002 and 2006 World Cup broadcasting rights was concluded with an astounding price hike, various articles appeared in the press explaining the negotiation process. I would like to point out two misconceptions common in these accounts.

One is the notion that "when FIFA put the rights up for public bidding for the first time, ISL won and ITC lost." In fact, this was not the first time that FIFA had received offers from bidders other than ITC. In 1987, during the

final round of FIFA-ITC negotiations over the renewal of ITC's rights contract to cover the 1990, 1994, and 1998 World Cup tournaments, Blatter himself, then as FIFA general secretary, informed the ITC negotiators that representatives from Murdoch's News Corp and Mark McCormack's IMG were "waiting in the next room." Even more important is the fact that, during FIFA's negotiations over the rights to the 2002 and 2006 tournaments, on a number of occasions ITC and ISL were both present at the negotiation table. This was arranged so that all three parties could discuss the relative shares of marketing and broadcasting rights in FIFA's overall income from the World Cup.

It is well known among people familiar with the inner workings of the football world that TEAM, a marketing firm founded by former ISL executives, had been a key advisor to UEFA in the formulation of its "Vision" proposal. While principally a reform proposal aimed at increasing FIFA's sources of income, in one sense "Vision" also represented a challenge to ISL by former members of its staff. ISL, too, was thus forced to go on the defensive.

In that context, FIFA hoped to team up with both ITC and ISL in their respective areas of expertise, that is, with ITC as its broadcasting partner and ISL as its marketing partner. To characterize this as the "first public bidding" for FIFA rights is not an accurate description of the actual circumstances.

The second misconception is that "because the number of matches to be played at the 1998 World Cup in France had been increased from 52 to 64, ITC, at the request of FIFA, paid an additional fee of 130 million Swiss francs." It is true that FIFA proposed such a fee. ITC, however, requested that the money be paid as a guarantee of ITC's acquiring the broadcasting rights to the 2002 and 2006 tournaments, and in the end the fee was not paid. For the France World Cup, ITC paid 135 million Swiss francs, the amount originally agreed upon in 1987, when the rights contract covering the three tournaments from 1990 to 1998 was signed.

Late in May 1996, with just days remaining before the final decision on where the 2002 World Cup would be held, and the negotiations on broadcasting rights also approaching their climax, an EBU representative met independently with then-FIFA secretary general Blatter in London. With too little time to convene the ITC negotiating team, which at the time was scattered all over the world, this meeting was held on an unofficial basis.

Then Head of Sport for the Asia-Pacific Broadcasting Union (ABU), I received an urgent telephone call from the EBU just before the London meeting asking whether or not, in the event that acquisition of the rights to the 2002 World Cup was made conditional on payment of the additional fee for the France tournament, I would lobby the ABU member organizations to bear part of that expense. I complied with the request, the Japanese and Korean

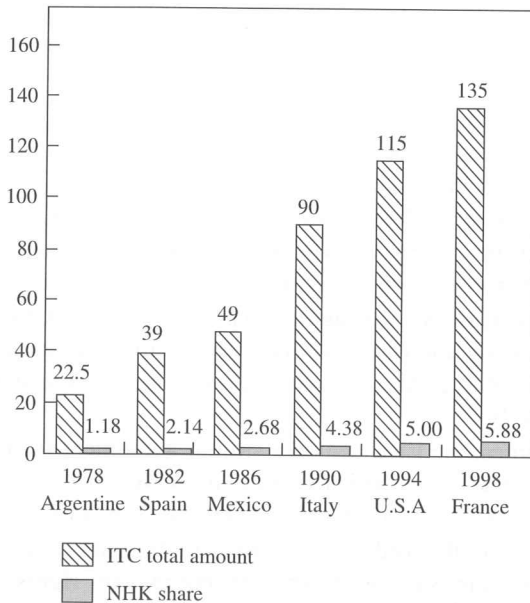
members having already assured the ABU that they were prepared to accept appropriate increases in their contributions regardless of which country was eventually chosen to host the 2002 World Cup. The possibility that the two countries might jointly host the tournament did not enter my mind.

Meanwhile, the EBU had also raised extra funding on its own account. With Blatter responding positively, the EBU representatives had hopes for a favorable outcome.

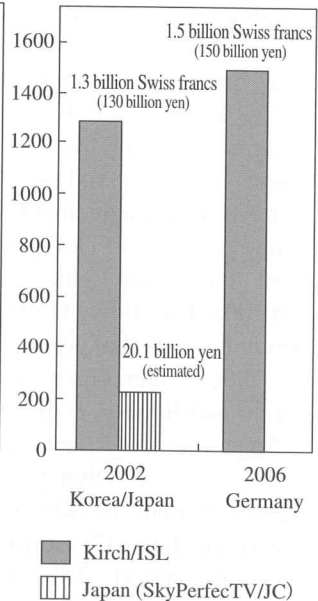
As it turned out, even with the addition of the EBU's extra contribution, the ITC bid fell far short of that offered by ISL and Kirch Media. Even the amount ITC offered, however, was several times greater than that paid for the France World Cup. A few months earlier ISL, which had joined ITC in talks with FIFA, had chosen Kirch Media as its partner. FIFA's shocking decision was announced only a short time after the London talks that had left the EBU so hopeful. In any event, there is no truth to the claim that ITC paid 265 million Swiss francs—the original amount plus the requested additional fee—for the France tournament.

Figure 7. FIFA World Cup Broadcasting Rights Fees

Unit: 1 million Swiss francs



Unit: 1 million Swiss francs



Source: FIFA/ITC

Many sports journalists have described this battle for broadcasting rights in the following terms: FIFA, eager to spread the game of football, had chosen ITC, an alliance of broadcasters spanning every part of the world except North America, as its broadcasting partner for twenty years; then, once ITC's prescribed role had come to an end, FIFA naturally moved on. Although this account is simple and more or less in keeping with the facts, the crux of the matter lies rather in the political dynamics at work. FIFA's switch to a new partner was a defensive move made by the existing FIFA administration to ensure its own survival. The same politically charged dynamics were at work in the settlement of the mud-slinging match that the Japan-Korea struggle for the 2002 World Cup had become—that is, in the decision by Havelange, keen to prolong his term as FIFA president, to dispense with voting and declare Japan and South Korea joint hosts. In the end, it was Kirch Media that drew the unexpected short straw.

ITC collapsed early in June, 1996.

Atlanta, 1996: Toward Long-term Agreements

Around 1996, the year the Atlanta Games marked the centennial anniversary of the modern Olympic Games, Olympic broadcasting in the world's leading countries and regions entered a new era. The change was signaled by the adoption of long-term broadcasting rights agreements covering a number of Olympic Games, including those in the more distant future for which host cities had yet to be determined.

The shift began in August 1995, when American broadcaster NBC reached an agreement with the IOC over the broadcasting rights to the 2000 summer Games in Sydney and the 2002 winter Games in Salt Lake City. This was the first ever rights agreement to cover both summer and winter Olympic Games in one package. In December the same year, NBC concluded a further agreement giving it the rights to the three Olympic Games to be held between 2004 and 2008. For all five Olympic Games, NBC agreed to pay a total of 3.565 billion dollars. At that point, it had yet to be determined which cities would host the 2006 winter Games and the 2008 summer Games (since assigned to Torino and Beijing, respectively).

Soon after the Atlanta Games, the EBU sealed a similar agreement for the rights to the five Olympic Games from 2000 (Sydney) to 2008, and, as if by prearrangement, broadcasters in Australia (Channel Seven), Canada (CBC), and Japan (Japan Consortium), in that order, also sealed rights deals covering the same period. This was unprecedented forward buying of rights to Olympics scheduled for up to ten years in the future and for which host cities had yet to be named.

Once these advanced countries and regions had secured such long-term agreements on their broadcasting rights, other countries and regions soon followed suit. By the end of 1999, the Korea Pool (South Korea), TVNZ (New Zealand), the ABU, and OTI had all concluded long-term rights contracts. The arena of Olympic broadcasting rights had entered a new age characterized by long-term stabilization of rights ownership and rights fees for multiple Olympic Games regardless of whether or not the host cities had been decided.

The value of sports broadcasts varies according to a variety of factors, including the time difference between venue and viewer, the level of competition and caliber of the athletes, and the quality of the international signal provided. By this time, a system was already being put in place whereby the same production organization would continue to produce the international signal for successive Olympic Games despite changes in host venue.²³ However, rights agreements concluded without regard to where the relevant events were to be held and what the venue-viewer time differences would be were regarded by many as risky ventures at odds with established business sense.

Two key factors were behind this shift. One was that long-term agreements minimized fee hikes from one Olympic Games to the next. The other was that, amid rapid changes in the media environment since the 1990s, conventional television was beginning to slip into the ranks of "old media," and was therefore forced to take defensive action.

The effect of the first factor is clear from the comparisons in figure 2 (see p. 137) and figure 8 (see p. 169) Even allowing that the disparities in the amounts between the 1980s, the 1990s, and the first years of the twenty-first century are too great to permit simple comparison, in every case since the Sydney Games, the rate of increase has been kept to between ten and twenty percent.

The second factor stemmed from the increasing unpredictability of broadcasting rights ownership given the growth of pay-to-view broadcasting services such as BSkyB and the rapid spread of Internet use. This made it necessary for conventional television broadcasters to secure moving picture rights for a fixed length of time.

As mentioned above, BSkyB was rumored to have offered two billion dollars for the pan-European broadcasting rights to the 2000 Sydney Olympic Games. This push by BSkyB for the Olympic Games came soon after the threat posed by pay-to-view broadcasting had already been amplified by the FIFA decision in June that year to team up with ISL and Kirch Media. That

²³ See Sone Toshiro, "The Olympic Host Broadcaster: History and Evolving Role in the New Era," *NHK Broadcasting Studies*, No. 1, 2002.

threat was felt particularly keenly by the EBU given its bitter past experiences in losing its place in Wimbledon and World Cup coverage. Out of respect for its long-standing and close relationship with the EBU, the IOC accepted the EBU's bid and gave it a contract for the broadcasting rights to the five Olympic Games from 2000 to 2008. For the Sydney Games, the EBU agreed to pay 350 million dollars. If the rumors that BSkyB had offered two billion dollars are correct, the gap between the two bids was a quite significant 1.65 billion dollars.

The EBU achievement in this affair was that it forced clarification of the IOC position on pay-to-view versus free-to-air broadcasting by inducing IOC president Samaranch to declare that the Olympics gives priority to free-to-air broadcasting. This statement may in turn be regarded as the twenty-year Samaranch administration's greatest contribution to broadcasting.

The IOC was no doubt as astonished as anyone that the FIFA World Cup came to outstrip the Olympics in terms of business scale. On the other hand, excessive hikes in broadcasting rights fees were attracting widespread criticism, and the IOC was probably concerned that the trend would arouse antipathy the world over. After all, unlike the FIFA World Cup, the Olympic Games were recognized not only as a major sporting event but also as the embodiment of a multifaceted international movement championing the cause of world peace.

While interest in the Internet at that stage was commonly focused on the medium's boundless potential, it was impossible to forecast what the future would bring in terms of the Internet's technical development and rights situation. No concrete strategies existed on how to deal with the Internet, whose spread and technology were advancing with unpredictable speed. Should the Internet undermine the system of broadcasting rights arranged by fixed national and regional zones, the IOC would lose its greatest vehicle for transmitting images to the world at large, as well as its greatest source of revenue.

In the television industry, too, it was probably anticipated that, if TV broadcasters secured their rights to Olympic footage other than official Olympic films, by the time those rights expired in 2008, the prospects for future development, such as a merging of broadcasting with communications, would have come clearer.

In any case, through its TOP system of package sponsorship and the marketing of Olympic television rights in multi-Olympic Games packages, the IOC has secured stable, long-term sources of revenue. For broadcasters, meanwhile, this has not only kept rights fees hikes in check but also enabled each rights holder to enhance its public image as an "Olympic broadcaster."

Figure 8. Broadcasting Rights Fees by Long-term Contract

(Unit: 1 million dollars)

Rights holders	Country/Region	2000 Sydney	2002 Salt Lake	2004 Athens	2006 Torino	2008 Beijing
NBC	United States	705.00	545.00	793.00	613.00	894.00
EBU (European Broadcasting Union)	Europe	350.00	120.00	394.00	135.00	443.00
JC (Japan Consortium)	Japan	135.00	37.00	155.00	38.50	180.00
Channel 7	Australia	45.00	11.75	50.50	14.80	63.80
CBC	Canada	28.00	22.00	37.00	28.00	45.00
KP (Korea Pool)	South Korea	13.75	0.75	15.50	0.90	17.50
OTI (Organizacion de la Television Iberoamericana)	Central and South America (includ- ing Mexico and Caribbean countries)	12.00	1.25	17.00	1.75	27.00
ABU (Asia-Pacific Broadcasting Union)	Asia (including China and India)	12.00	—	14.50	—	17.50
TVNZ	New Zealand	10.00	—	10.00	—	12.00
CTS	Taiwan	3.00	—	3.65	—	4.40
ASBU (Arab States Broadcasting Union)	Arab countries	4.50	—	5.50	—	8.50
PTN	Philippines	1.60	0.05	1.80	0.05	2.00
URTNA (Union de la Radio Television Nation- ale d'Afrique)	Africa	10.50	—	—	—	—
Total		1,330.35	737.80	1,497.45	832.00	1,714.70

Source: IOC

THE WORLD CUP AND POOL BROADCASTING RIGHTS

The first FIFA World Cup was held in Uruguay in 1930, as Japan and some parts of Europe gradually gathered for war and the Depression gripped the world. Thirteen countries were represented, ten of them from South America, with France, Romania and the United States comprising the remainder. Through the eleventh World Cup in Argentina in 1978, sixteen nations participated in subsequent tournaments, excluding the third in France (1938) and the fourth in Brazil (1950), respectively the last Cup tournament before and the first after World War II. During that period, the only participating countries outside Europe and Latin America were the United States, which qualified three times, the Dutch Indies, South Korea, North Korea, Morocco, Israel, Australia, Zaire and Tunisia, all of which qualified only once.

England, the birthplace of modern football, did not make it to the World

Cup until the fourth tournament in Brazil. The host country usually alternated between a European and a Latin American nation, and the United States, which hosted the fifteenth tournament in 1994, was the first outsider to do so.

This is hard to believe, considering that the World Cup determines the world's top team in the sport of football, whose worldwide spread and passionate following are unrivalled by any other sport. That regional lopsidedness was due to the overwhelming domination of European and Latin American teams.

Television coverage exhibited the same phenomenon. The first World Cup to be televised was the Swiss tournament in 1954. On June 6, ten days prior to the event, the EBU established Eurovision, a network joining eight Western European countries²⁴ by landline, to transmit the first live coverage.

At this time, the EBU acquired broadcasting rights for all of Europe for 10,000 Swiss francs. In the section on Olympic broadcasting rights I stated that such rights were first introduced in international sporting events at the Rome Olympics in 1960. Although technically the 1954 World Cup in Switzerland marked the birth of broadcasting rights in international sporting events, the earlier statement is based on the fact that the earlier broadcasting coverage was not worldwide but limited to eight European countries and there were very few television stations operating at the time. There were no television stations in Latin America, where the World Cup was shown only in news clips at movie theaters, a situation true in many other regions of the world as well.

Relay broadcasts of every match were first shown throughout Western Europe in 1966 during the England World Cup. Earlier, in May 1963, the communications satellite Telstar 2 was successfully launched over the Atlantic Ocean, making satellite broadcasts between England and the United States possible, while in October 1964, Syncom 3, the first geostationary satellite over the Pacific, beamed the Tokyo Olympic opening ceremony in color to the North American continent. The era of satellite broadcasting, however, had only just begun and the main means of exchanging visual images between the continents at the time of the 1966 England World Cup was the air-freighting of film or video tape.

The first World Cup broadcast in Japan was the Mexico tournament in 1970, shown by Television Tokyo Channel 12 (TV Tokyo). This station, which launched the regular weekly program *Diamond Soccer* in 1968, also broadcast the 1974 West Germany World Cup.

Diamond Soccer pioneered football programming in Japan, running for

²⁴ England, France, West Germany, Belgium, Holland, Denmark, Switzerland, Italy.

twenty years from 1968 to 1988. Although it varied from year to year, average program length was only forty-five minutes and consequently an entire game could not be shown at one time. By taking the audacious step of showing the first half one week and the second half the next, however, the station managed to broadcast every match of the World Cup series over a one-year period. Although the method was unusual, TV Tokyo's introduction of the World Cup significantly contributed to the sport in Japan, particularly during the long "winter" years when even those directly involved in Japanese football never dreamed that a Japanese team might one day participate.

Coincidences Spur Expansion of Football Broadcasting

TV Tokyo's World Cup broadcasts came into being by chance. TV Tokyo was the last broadcaster central to a network of stations to be established in Tokyo and it lagged behind the others in providing regular color TV programs. Shiraishi Takemichi, the sports programming director at the time, flew to Los Angeles in 1970 to meet the Great Togo, a Japanese-American bad-guy pro-wrestler and promoter, planning to enlist his aid in procuring American color pro-wrestling programs.

Togo, however, happened to be engrossed in live broadcasts of the World Cup tournament, and business negotiations did not proceed as smoothly as Shiraishi had hoped. The fervor of the crowds on television was intense. This was the ninth World Cup, which was held in Mexico from May 31 to June 21. In Los Angeles, which had a large Hispanic population, the matches were aired live every day.

As Shiraishi broadcast European games on the *Diamond Soccer* show, he was aware of the World Cup, but he had never imagined the extent of its popularity. The exposure gave him a flash of inspiration. "By spreading one game over two weeks we can make the series into a whole year's worth of programming." He immediately enlisted Togo's help to identify the broadcaster, a Mexican station called Televisa. He also learned that the sale of broadcasting rights was handled by the organizing committee and the host broadcaster.

Shiraishi flew to Mexico City and approached Televisa. They showed him two telexes they had already received from Japan: one was an offer from NHK to buy several matches and the other was an offer from NTV to buy only the final. Televisa, however, decided to sell the broadcasting rights to TV Tokyo, impressed by Shiraishi's enthusiasm in coming all the way to Mexico.

Thus, in 1970, TV Tokyo became the first television station to broadcast the World Cup in Japan. The World Cup in Mexico is still considered the greatest match in history with an all-star cast of players that included Pelé, Franz Beckenbauer, Gerd Müller, and Bobby Charlton.

In 1974, TV Tokyo presented a special live broadcast of the World Cup Final in West Germany and spread the rest of the series over a period of about one year. The station's original motive for purchasing the broadcasting rights and the unusual idea of splitting each game in half and showing it over the space of two weeks were unique, and the project represented a bold move for a station that did not possess a national network.

From the 1978 Argentina World Cup, broadcasting rights in Japan became the property of NHK, but this again was due to a small coincidence.

In 1978, the EBU, OTI and OIRT, a broadcasting union centering on the Soviet Union, entered negotiations for comprehensive broadcasting rights for the World Cup, which in terms of both competition level and broadcasting coverage still remained a "regional" tournament dominated by European and Latin American countries with the subsequent addition of countries in Eastern Europe. This was the first year that negotiations were directly managed by FIFA.

At the same time, ATV, a commercial television station in Hong Kong, moved to obtain broadcasting rights for Asia. ATV was a core member of the Asia-Pacific Broadcasting Union (ABU). When the EBU learned of this, they approached the ABU and the result was the formation of an extensive international consortium that included not only the EBU and the ABU but also broadcasting alliances in the Arab region and Africa, although it did not include North America.

This was the beginning of the International Television Consortium (ITC) and the commencement of broadcasts by ITC members marked the World Cup's long-overdue transformation into a global tournament. The 1978 World Cup was the first tournament in which FIFA president Joao Havelange, appointed four years earlier, wielded authority.

The one-sponsor-per-industry marketing strategy adopted at this time and global coverage through the ITC very quickly established the tournament as the greatest single-sport event in the world.

The International Pool: A 20-Year Miracle

When broadcasting consortiums comprised of stations in many different countries acquire collective broadcasting rights, difficulties usually arise in determining how to distribute costs. Even if the members share the same goals, national and local economic situations, the national team's potential for participating in the finals, the number of viewers and the popularity of the game differ from one country to the next, and such discrepancies frequently cause heated debate. Economically affluent nations are often charged disproportionately high fees for broadcasting rights.

Cost distribution within the ITC, however, remained relatively impartial. Although the figures were adjusted somewhat for each tournament, the EBU generally bore approximately 45 percent of the total cost (50 percent after its merger with the OIRT following dissolution of the Soviet Union), the OTI 30 to 35 percent, the ABU about 13 percent, the Arab union (ASBU) 2 to 3 percent and the African union (URTNA) almost none. This situation continued for twenty years from 1978 to 1998.

The number of countries represented and the number of games played in the World Cup tournament steadily increased, with 16 countries and 37 games in the 1978 Argentina tournament, 24 countries and 52 games in the 1982 Spain tournament, which remained unchanged through the 1994 United States tournament, and 32 countries and 64 games in the 1998 France tournament.

In addition, the number of countries participating from regional football confederation in Africa and Asia gradually increased, rising from two African and two Asian nations in the 1990 Italy World Cup to three and two in the 1994 World Cup and to five and four in the 1998 World Cup.

The fact that the distribution of expenses within the ITC remained virtually unchanged despite these developments was due partly to the European and Latin American dominance of the sport. The World Cup has no major closing ceremony such as that held for the Olympics. Losing teams return home immediately after their defeat and, as the tournament progresses and the number of teams declines one by one, it is usually only European and Latin American teams that remain for the finals. The EBU and OTI understood what kind of impact this had on broadcasting. In addition, Japan, which always paid high broadcasting rights fees for other sports events, did not make it to the World Cup until 1998. Korea, which was undergoing remarkable economic growth, participated in four World Cup tournaments between 1986 and 1998, but it never won a single game. The ABU's costs, therefore, were maintained at around 13 percent of the total. This helped keep the distribution of costs among ITC members virtually the same.

Based on the percentage of ITC costs it was assigned, each broadcasting union determined the distribution of costs among its own member stations. Although the method for determining rates varied slightly from one union to the next, as a rule they were divided up among the member nations.

In the case of the EBU, for example, 50 percent of the total cost was equally divided among the five most economically affluent members—Germany, England, France, Italy and Spain—with the remaining 50 percent divided in consideration of conditions in each of the other member nations.

The EBU traditionally pools broadcasting rights. Members cooperate to obtain collective rights to many major international sporting events, including

the Olympics, and as a rule the five nations mentioned above cover about 80 percent of the total cost. In order to ensure fairness, in the Winter Olympics, for example, England's share of the burden decreases and that of northern and eastern European countries increases.

The distribution of broadcasting rights for the World Cup, with the five major nations splitting only 50 percent of the costs, reflects Europe's character. Football broadcasts are equally important to every European nation regardless of economic power, and the high level of skill in each country means that every national team has the potential to make it to the finals.

Asia reaped the greatest benefits from the twenty-year period in which the ITC controlled broadcasting rights. The ABU operated pool broadcasting rights in the following manner: Japan bore the largest portion of the ABU percentage, reaching a maximum of 50 percent, which was later reduced to 34 percent—still by far the largest share. Korea, Australia and Hong Kong each bore about 10 percent, and the remainder was divided among the other members. Any shortages were covered by special measures such as charging Taiwan, which was not an ABU member, a fee for broadcasting rights.

Although at first glance Japan seems to have been unfairly burdened, the country's obvious economic ascendancy in the region, which continued until the latter half of the 1990s, made this inevitable. In addition, as the broadcasting organization responsible for founding the ABU, NHK was responsible for solidifying the Asian union.

When two or more broadcasters from one country belonged to the same union, they were required to pledge their intention of broadcasting cooperatively in order to avoid competition over monopoly of domestic broadcasting rights. This measure upheld the principle that a broadcasting union is not an agent.

In Asia, for example, NHK's monopolization of World Cup broadcasting until the France tournament in 1998 was due to the fact that it was the only Japanese broadcaster belonging to the ABU when the rights contract covering the three World Cup tournaments was signed in 1987. Subsequently, TBS and Fuji TV also became ABU members, but the issue was regarded as a domestic one that should be resolved by consultation with the first rights holder, NHK, and the two broadcasters that joined later.

In fact, through the 1994 World Cup in the United States, the Japan team never made it past the Asian preliminaries, and the issue was not even mentioned by Japanese broadcasters at the ABU Sports Working Parties. The Japan national team, however, did participate in the 1998 World Cup France and the next tournament was to be co-hosted by Japan and Korea. The addition of these factors was like stirring up a wasps' nest and a major uproar

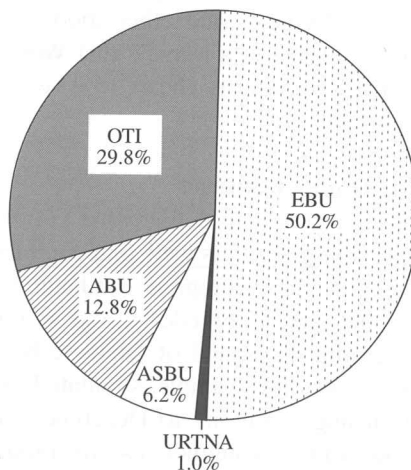
ensued. Failure to resolve the problem internally, however, meant that NHK continued to monopolize World Cup broadcasting.

The situation in Korea, which participated in four consecutive World Cups from the 1986 Mexico tournament to the 1998 France tournament during the twenty years of ITC management of broadcasting rights, was the reverse. Three broadcasters, the original ABU members KBS and MBC plus SBS, which joined when it was founded in the early 1990s, cooperatively broadcast both the United States and the France tournament. The ABU left it up to the three broadcasters to decide how they would divide Korea's 10 percent of the total costs. The Korean broadcasting industry seems to have gained the most in terms of cost versus results from its membership in the ITC.

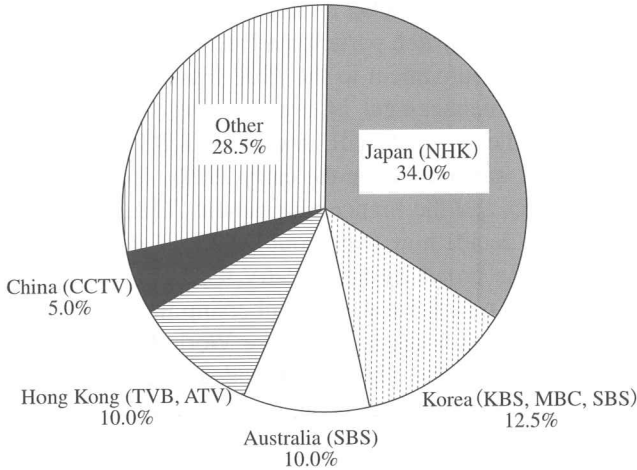
If we compare the costs borne by Japan for World Cup broadcasting rights with those borne by OTI for Olympic broadcasting rights (figure 8), the advantage of being an ITC member is obvious. I would never be so rash as to compare Japan's football prowess with that of Latin American countries; nevertheless, if I were asked whether their Olympic ability differed from ours as much as their broadcasting fees, the answer would have to be no. Rather, the reverse is true.

During the twenty years when the ITC controlled broadcasting rights, the World Cup became, just as its name suggests, the greatest single-sport event in the world; yet during that period, not one crisis occurred within the ITC concerning the distribution of costs. Considering its smaller number of members and their economic situation, the OTI's consistent shouldering of an

Figure 9. Ratio of Contributions within ITC for the 1998 World Cup in France



Source: ABU

Figure 10. Ratio of Contributions within ABU for the 1998 World Cup France

Source: ABU

excessively high proportion of the burden deserves high praise even considering Latin America's unrivaled passion for football—a basic necessity of life. FIFA's desire to spread the sport throughout the world and the existence of the ITC, the unity of which was largely maintained by the EBU and OTI's shared sense of responsibility, combined to keep the cost of World Cup broadcasting rights reasonable.

Globalization of the economy and the sports business began in the mid-seventies and grew dramatically during the eighties and nineties. The cost of broadcasting rights for the Olympics and other sports events soared during this period, and it is nothing short of a miracle that World Cup broadcasting rights, which some described as unfairly cheap, rose very little in the twenty-year period leading up to 1998.

The Ideal Broadcasting Rights Contract

Another way of describing rights is to define what you must not, or cannot, do. This is true for broadcasting rights as well, and contracts delineate various restrictions on the number of times a program can be aired, the period during which it can be shown, the type of broadcast, and so on. There have been varying restrictions governing the period of Olympic broadcasts, depending on the individual contract. One, for example, stipulated that broadcasts could not be aired from the closing ceremony to December 31 of the same year without special permission while, in another case, the broadcasting period was

Figure 11. Changes in ITC Broadcasting Rights Fees and Contributions by ABU and NHK from the 1978 Argentina World Cup to the 1998 France World Cup

(Unit: 10,000 Swiss francs)

Year	Host country	Total ITC broadcasting rights fees	ABU		NHK		Amount in Yen (units of 10,000)
			Proportion contributed	Amount	Proportion contributed	Amount	
1978	Argentina	2,250	16.0%	360	32.9%	118.44	16,582
1982	Spain	3,900	11.0%	429	49.8%	213.64	29,362
1986	Mexico	4,900	11.0%	539	49.8%	268.42	30,567
1990	Italy	9,000	12.8%	1,152	38.0%	437.76	43,776
1994	U.S.A.	11,500	12.8%	1,472	34.0%	500.48	50,048
1998	France	13,500	12.8%	1,728	34.0%	587.52	58,752

Source: ABU

stipulated as one month after the closing ceremony, beyond which the broadcasting of Olympic content required special permission and sometimes a fee, depending on the purpose of the program.

The agreement between FIFA and the ITC also contained restrictions, but they were much looser than those of other contracts, and, from the perspective of broadcasting companies, made it the ideal form of contract.

The following are the features of the collective contract for the three World Cup tournaments held in 1990, 1994 and 1998.

1. The type of broadcasting, whether terrestrial, satellite, cable or other, is not stipulated.
2. In addition to live broadcasts, unlimited re-broadcasting is permitted.
3. The broadcast period is four years from the beginning of one tournament to one day prior to the beginning of the next.
4. The broadcasting union can sell rights to non-member countries within their region.
5. Broadcasting stations that obtain domestic rights from the broadcasting union can sell those rights to other stations within the same country.
6. A technical annex was appended to the contract: FIFA, the ITC, the organizing committee of the host country, and the host broadcaster were to consult on various matters related to production and the technical aspects of broadcasting.
7. The union to which the host country's broadcasting stations belonged was responsible for production and transmission of international signals as well.

The first feature greatly benefited leading multimedia broadcasting networks

such as NHK and Brazil's TV Globo. Globo could use its free-to-air terrestrial broadcasts, free-to-air and pay satellite broadcasts and pay cable broadcasts, and NHK its terrestrial and satellite broadcasts as well as its Hi-Vision (HDTV) production and broadcasts without incurring any additional obligations.

Items 2 and 3 generated advertising revenue for many commercial stations as they could present repeated footage of the World Cup at other times of the year. FIFA also benefited because unlimited use of tournament footage strengthened the World Cup's image and raised its value.

The fourth feature aided countries in which international politics prevented membership in regional broadcasting unions. Taiwan, which cannot join the ABU because of its relationship with China, is a typical example in the Asian region. The ABU sells rights "within Taiwanese territory" for almost the same price as to Korea or Hong Kong, and it uses the income for satellite lines or pool operation, as well as to reduce the financial burden on smaller countries.

Item 5 is the same. Globo sold rights to both large and small stations within Brazil and, as a result, reporters from eighteen television and radio stations gathered at the International Broadcasting Center (IBC) in Dallas, U.S.A. for the 1994 World Cup. These individual broadcasters would rebroadcast Globo's programs but with additional coverage of their own (unilateral signal production). In consideration of the fact that Brazilian players come from many different parts of a large country, this was an extremely effective form of broadcasting.

The sixth feature succinctly captures the nature of the contract between the ITC and FIFA. The ITC appointed two to three representatives from each union to create the Consortium Coordination Council (CCC), which consulted with FIFA, the organizing committee, and the host broadcaster concerning various aspects of broadcasting operations during the tournament.

I participated in the CCC for the 1990 and 1994 tournaments up until the preparations for the 1998 tournament ended. Our work consisted of deciding the host broadcaster's international and unilateral signal camera positions, allocating commentary positions, payment of fees for commentary positions and the IBC which would be used by all consortium members, ordering and managing accreditation cards used as ID for those with broadcasting rights, and everything else related to administering the smooth implementation of the tournament.

At the 1994 United States World Cup, for example, the games were held in American-style football stadiums. As these are narrower in width than football (i.e., soccer) fields and the front stands are higher, it was impossible to secure an adequate camera position for capturing corner kicks without

rebuilding part of the stadium. The CCC cooperated in making sure that several rows of seats were removed from the stands and in moving the entire field several meters away from the camera side. This decision directly affected ticket sale income. In this way, the hosts, the organizing committee, and broadcasters worked as a unified team to manage the World Cup through 1998.

One decision that should be mentioned in particular was the adoption of broadcasters' suggestions in selecting the kickoff time. Of course, the authority for making the decision rested with FIFA, but the broadcast time within the home countries of the competing teams was taken into consideration.

It was at a meeting in Paris in December 1994 that FIFA and the CCC basically agreed to begin matches featuring Asian teams earlier during the 1998 France World Cup. The decision made by FIFA, the organizing committee, and the broadcasters represented the agreement that holding these games early in the afternoon French time was convenient because games with Asian teams were less popular in Europe while the afternoon time slot coincided with the golden hours of television viewing in Asian countries.

NHK achieved a record-breaking rating of 60.5 percent for the game between Japan and Argentina kicked off at 2:30 in the afternoon local time and broadcast live in the evening Japan time on June 14, 1998. The Japan-Croatia match held on June 20 also garnered a high viewer rating of 60.9 percent. These figures, unprecedented for an overseas sports event, were more or less assured by the agreement reached in Paris three and a half years before the Japan team qualified for the World Cup for the first time.

As for item 7 above, the broadcasting union commissioned production and distribution to the host country's main broadcaster, which was closely supported by the CCC. During the 1986 World Cup in Mexico, Televisa played the central role while the OTI supplied staff. In 1990, RAI, Italy's public broadcasting station, served as host broadcaster, commissioned by the EBU. Similarly, during the 1998 France tournament, the six French public and commercial broadcasters that were members of the EBU established Television and Radio Services (TVRS) to fulfill their duties as host.

The only exception was the United States tournament in 1994, at which time ABC and ESPN, the two American stations with domestic broadcasting rights, declined the role of host. The EBU established ESI (EBU Sports International), a temporary organization created solely to produce and distribute international signals of the 1994 tournament. Although the host country changed each time, a system was always established to ensure high-quality international signal production.

For the above reasons, many view the FIFA-ITC World Cup contract from 1978 to 1998 as the ideal style of sports broadcasting rights contract.

Broadcasting rights for the 2002 and 2006 World Cup tournaments, however, left the hands of the ITC and the system built up over a twenty-year period disintegrated.

Pay TV in the Lead, Free-to-Air in Supporting Role

The sale of broadcasting rights for the 2002 Korea/Japan World Cup was total mayhem. ISL and the Kirch Media Group had divided the world market into two portions with Kirch responsible for European sales and ISL for the rest. As mentioned at the beginning of this paper, however, ISL went bankrupt in May 2001, followed almost a year later by Kirch in April 2002. Exclusive broadcasting rights for the 2002 and 2006 tournaments held by these two companies were transferred to Kirch Sports, a subsidiary hastily established in Switzerland immediately before the collapse of the Kirch Media Group with the approval of FIFA and the banks.

Soon after they began marketing and before their respective bankruptcies, ISL and Kirch Media achieved two major successes: one in Brazil and one in Spain. At the end of 1999, Globo, the leading television network of Brazil that provided terrestrial as well as pay and free-to-air satellite broadcasting, obtained all domestic broadcasting rights. As Globo had been a powerful ITC member through 1998, this came as no surprise.

Spain, however, was a different story. A broadcasting rights agreement concluded in the summer of 1999 gave Via Digital, a pay satellite station with less than 30,000 household subscribers, exclusive domestic broadcasting rights for a fee of 196 million Euro (about 22.54 billion yen). Via Digital was a subsidiary of Telephonica, a prominent European telephone company, and even if it was aiming to become an agent and resell broadcasting rights to terrestrial free-to-air broadcasters in addition to increasing the number of subscribers, the sum was astounding.

After the conclusion of these deals in Brazil and Spain, negotiations with the rest of the world for broadcasting rights degenerated into almost farcical confusion.

The Japan Consortium (JC), the same terrestrial broadcasting organization as that for the Olympics, was formed in Japan. ISL is said to have proposed a price of 650 million Swiss francs (57 billion yen) for the 2002 and 2006 tournament package during initial negotiations. After six months silence the JC responded with a request to procure the rights to the 2002 tournament only and ISL proposed again, this time in Japanese yen, a price of 25 billion yen. There was, however, no room for further discussion and they failed to come to an agreement. These negotiations took place from late 1998 to the summer of 1999.

In March 2000, while negotiations remained deadlocked and the two parties grew increasingly distrustful of one another, Sky PerfecTV, the pay communications satellite (CS) broadcaster, and DirecTV stunned the industry with the announcement of their intended merger. Sky PerfecTV would be the only CS broadcaster in Japan and its shift towards BSkyB-style exclusive broadcasting of major sports events pivoting on football seemed imminent.

Dentsu's replacement of ISL as Japan's negotiating party occurred about the same time. There are two theories as to why this happened: one is that Dentsu felt misgivings about ISL's ignorance of Japanese business customs and the other is that Dentsu had already foreseen ISL's bankruptcy, which would occur one and a half years later. Most likely both explanations are correct.

On September 4, 2000, Sky PerfecTV concluded an agreement with Dentsu for exclusive CS broadcasting rights to 64 games. The estimated price was 13.5 billion yen. Subsequently, the JC purchased terrestrial and BS digital broadcasting rights for 40 games on November 21 at an estimated price of 6.6 billion yen.

In Kirch Sports documents, Dentsu is listed as the contractor, while under the category of pay broadcaster is Sky PerfecTV and under the category of free-to-air broadcaster is the JC with the names of its member broadcasters ANB, CX, NTV, TBS, TX, NHK, BS-i, BS Fuji, BS-Asahi, BSJ and BS Japan mentioned in that order. While the JC negotiations with ISL were deadlocked, Dentsu bought up all Japan's broadcasting rights and selected the pay satellite broadcaster Sky PerfecTV as the main agent for resale of those rights, agreeing on the broadcasting rights for all the games. It also sold broadcasting rights for forty games to the JC, pressured by viewer anxiety over the lack of terrestrial broadcasting.

Dentsu replaced ISL at an early date and its "brilliant" idea of selling to both types of broadcasters was very successful, with viewers breathing a sigh of relief at the agreement to supply terrestrial broadcasters with forty games. This was the first time in the Japanese broadcasting industry that a pay TV station played the leading role in the broadcasting rights business and the free-to-air broadcasters took a supporting role although they gained in terms of cost-effectiveness.

In England, BSkyB was watched with keen interest to see what move it would make. It refused Kirch's offer of 170 million pounds (about 29 billion yen) on the grounds that it was exorbitant, while Kirch was poised to appeal for a waiver of the UK's protection of the Listed Events under the Broadcasting Act. Kirch obtained exclusive rights in 1996 and therefore, it claimed, the revision of the Listed Events made in 1998 should not apply. The

fact that BSkyB, which was responsible for hiking up the price of sports broadcasting rights, had declared Kirch's price "exorbitant," as well as Kirch's grounds for filing suit were derided by many.

In Germany, Kirch not only bargained with the public broadcasters ARD and ZDF over the price, but also requested that they barter some of the Olympic broadcasting rights for World Cup broadcasting rights. This novel idea was almost agreed upon, but after objections from the IOC and the EBU and some wavering back and forth, it was finally abandoned.

The Italian broadcaster RAI demanded compensation from FIFA, claiming that Italy's defeat by Korea had caused major losses. The defeat, they insisted, was due to referee error and, because FIFA failed to take any action, it should pay for lost advertising income.

There are numerous humorous anecdotes surrounding broadcasting rights negotiations for World Cup 2002 that do not reflect well on the ethos of professionalism of European countries and elsewhere, but it is also true that the explosive rise in fees caused many problems.

I have some documents from Kirch Sports concerning the holders of broadcasting rights in each country. The volume prohibits their complete reproduction here, but some excerpts are presented in figure 12 to demonstrate the international distribution of broadcasting rights for the most recent World Cup.

Broadcasting rights were sold to 187 countries. There were 259 free-to-air broadcasters and 23 pay broadcasters, including satellite and cable TV.

The gap between the number of free-to-air and pay broadcasters was due to the fact that some terrestrial broadcast purchasers were consortiums comprised of several stations such as the JC, and to the fact that the rights to specific games or for specific localities within the country were sold separately to different broadcasters. In addition, 36 stations were listed in Nigeria, most likely because there was no national network.

Among the pay broadcasters, international satellite broadcasters covering many countries were conspicuous in Latin America, the Arab region, South Asia, and Africa.

For example, the majority of broadcasting rights for countries in Latin America, excluding Brazil, were initially purchased by the American-financed pay satellite DirecTV Latin America, which then resold them to terrestrial free-to-air broadcasters in each country. As a result Mexico and Argentina presented an interesting contrast in this respect. In Mexico, many terrestrial free-to-air broadcasters jumped in, while in Argentina only two free-to-air broadcasters were involved. When I asked why, the person in charge of negotiations for Argentina's national television channel explained that he was able

Figure 12. Overview of TV Broadcasting Rights Holders by Country for the 2002 Korea-Japan World Cup (excerpted)

	Free-to-air Broadcaster	Pay Broadcaster	Contracting Party
Europe	Belgium		
	RTBF		Vlaamse Radio-en
	VRT		Televisieomroep (VRT)
	Denmark		
	DR-Danmarks Radio TV	Canal Digital	Sveriges Television AB (SVT)
	TV2	(Telenor)	
	France (including Andorra)		
	TF1		Television Francaise 1 S.A. (TF1)
	LC1		
	Eurosport		
	Germany		
	ARD/ZDF		ARD/ZDF
	DSF-Deutsches Sport		Kirch Media
	Fernsehen		
		Premiere	Kirch Media
	Sat.1		Kirch Media
	RTL (news access)		Kirch Media
	Italy (including San Marino and Vatican City)		
	RAI		Rai Trade S.p.A.
	Norway		
NRK	Canal Digital	Sveriges Television AB (SVT)	
TV2	(Telenor)	Telenor	
Spain			
Antena 3	Via Digital	Disitribuidora de Television Digital, S.A. (Via Digital)	
Sweden (including Faroe Island and Greenland)			
SVT	Canal Digital	Sveriges Television AB (SVT)	
TV4	(Telenor)		
United Kingdom			
BBC		British Broadcasting Corpora-	
ITV		tion & ITV Network Limited	
Asia	China		
	CCTV		China Central Television (CCTV)
	Hong Kong		
	Hong Kong Cable TV		Hong Kong Cable TV
	ATV (Asia TV)		
TVB (Television Broadcast Ltd.)			

Free-to-air Broadcaster	Pay Broadcaster	Contracting Party
Japan		
Japan Consortium (ANB, CX, NTV, TBS, TX, NHK, BS-i, BS Fuji, BS Asahi, BSJ, BS Japan)	Sky PerfecTV	Dentsu Inc.
Korea		
KBS		Korea Pool
MBCj		(KBS, MBC, SBS)
SBS		
Malaysia		
Astro		M-League Marketing Sdn Bhd
NTV7		
RTM		
TV3		
Thailand		
ITV		DhoSpaak Co. Limited
TV9		
TV11		
America		
Argentina		
America 2	DirecTV Latin America	DirecTV Latin America, LLC
Sistema Nacional de Medios Publicos (Canal 7)		
Brazil		
TV Globo	Globosat	TV Globo Ltd.
Mexico		
TV Azteca	DirecTV Latin America	DirecTV Latin America, LLC
Multimedios Estrellas de Oro S.A.		
Corporacion de Noticias e Informacion		
PCTV		
Televisa		
Cablevision		
Canal 22		
MVS Multivision		
USA		
ABC (English)		Anschutz Soccer LLC (MLS)
ESPN (English)		
USA		
Univision (Spanish)	Galavision (Spanish)	Univision Communications Inc.
Telefuturo (Spanish)		

Excerpted from: KirchSport document, 1 July 2002.

to obtain the rights to all the matches at a lower price than when they belonged to the ITC because only a few tens of thousands of households subscribed to DirecTV. In Africa, two pay satellite broadcasters covered the entire continent: an English-language broadcaster based in South Africa and a French-language broadcaster affiliated with France.

The most striking characteristic of this table is the overwhelming number of non-broadcasting companies and sports organizations listed under Contracting Party, indicating that they made agreements with Kirch Sports.

Anschutz Soccer LLC, which sold the English-language broadcasting rights to America's ABC and ESPN, is the marketing section of Major League Soccer (MLS), America's professional football league. Malaysia's M-League Marketing is a similar organization. In the Caribbean countries, the Caribbean Football Union (CFU) signed a contract with Kirch and then sublicensed the broadcasting rights. Thailand's DhoSpaak Co., Ltd. is an advertising agency like Japan's Dentsu.

In contrast, almost all the contracting parties from Europe are broadcasters, which is more typical of broadcasting rights contracts. The lack of broadcasters among contracting parties from other countries is due to the fact that ISL, which was responsible for negotiations, went bankrupt before an agreement could be reached. As a result, Kirch Sports, to which the two bankrupted companies transferred their broadcasting rights, had no choice but to negotiate with agents, international satellite broadcasters, and football associations.

In countries where pay broadcasters are regulated, such as England, Italy, and Australia, only terrestrial broadcasters were involved, and pay and free-to-air broadcasts did not exist side by side.

Kirch Sports did not announce the fees charged for broadcasting rights in each country. For reference I include here a compilation from a Japanese newspaper of the estimated fees paid by the main nations.

Figure 13. Broadcasting Rights Fees for the 2002 World Cup

(Unit: 1 million Euro)

Spain	196	U.S.A.	103
Germany	128	Brazil	250
U.K.	98	Other South American countries	236
Italy	80	Japan	171
France	80	South Korea	35
Other European countries	139	Africa	11

Source: Nihon Keizai Shinbun, 9 April 2002

High Ratings, Diversified Transmission Methods

High viewer ratings were obtained for the 2002 World Cup Korea/Japan in every country and diverse means were used to transmit the event. In England, ITV broadcast England's first game (against Sweden) live, capturing a record 84 percent share of viewer households, the highest in history. The number of households viewing the game peaked at 13.7 million during the last half, exceeding the 11.3 million for England's first game in the France World Cup (against Tunisia). This was despite the eight-hour time difference between Japan and England which meant that the match was shown at 10:30 a.m.

BBC, meanwhile, launched a counter-offensive by running text-alert services over mobile phone networks, with updates on each match, on the days of ITV's live broadcasts. Subscribers received updates three times a day from BBC Sports for a fee of 20 pence (about 40 yen) per news item and the 7 pence in proceeds per message after deduction of taxes and various charges was donated to the charitable organization BBC Sports Relief.

In China, which was a first-time participant, the state broadcaster CCTV monopolized terrestrial and satellite broadcasting and a record 350 million viewers watched China's first game against Costa Rica. CCTV paid a total of 200 million yuan (about 3 billion yen) for 2002 and 2006 World Cup broadcasting rights, but by mid-tournament it had already made 400 million yuan in advertising revenue.

In Japan, which co-hosted the event, the national team gave an unexpectedly good performance, making it to the best 16, and terrestrial broadcasts of each game recorded all-round highs in audience ratings. The greatest difference compared to previous sports broadcasts was the popularity of games between foreign teams in which Japan's national team was not competing. Figure 14 presents the top fifteen matches from JC terrestrial broadcasts with the highest viewer ratings. In the averaged figures for NHK, which sparked much debate by dividing the first and second half of the games into separate programs, two games between foreign teams were in the top five. Sky PerfecTV, the pay CS station that broadcast all 64 games, offered twenty-four-hour World Cup programming, including reruns, using ten channels. It also offered free service to subscribers as a promotional effort to increase subscriptions, resulting in 67,800 new contracts in April and 100,000 new contracts in May and a total of 3.2 million subscribers. According to a survey by Video Research, the viewer rating for Sky PerfecTV was 6 percent, exceeding NHK BS Hi-Vision at 4 percent and commercial BS digital stations at 3 percent. Dentsu handled 1 billion yen worth of program sales and, although this was far from the 13.5 billion yen Sky PerfecTV paid for broadcasting rights, it was a success in that it greatly boosted the station's image.

Figure 14. Household and Individual Viewer Ratings for the 2002 World Cup

Rank-	Broadcast date	Day of the week	Start time	Broadcast minutes	TV network	Program title	Household [rating]	Male & Female			Men			Women		
								age 13-19	age 20-34	age 35-49	age 13-19	age 20-34	age 35-49	age 13-19	age 20-34	age 35-49
1	2002.06.09	Sunday	20:00	174	Fuji-TV	Preliminary round: Japan vs. Russia	66.1	43.4	48.8	55.8	48.3	49.7	58.0	42.5		
2	2002.06.30	Sunday	20:57	93	NHK	Final: Germany vs. Brazil (2nd half)	65.6	33.9	36.1	53.7	51.3	38.4	53.0	49.8		
3	2002.06.04	Tuesday	18:53	67	NHK	Preliminary round: Japan vs. Belgium (2nd half)	58.8	32.9	29.3	25.4	42.8	27.8	49.3	45.6		
4	2002.06.30	Sunday	19:20	89	NHK	Final: Germany vs. Brazil (1st half)	50.2	23.6	22.9	35.0	44.6	24.8	38.2	40.5		
5	2002.06.18	Tuesday	16:25	95	NHK	Round of Sixteen: Japan vs. Turkey (2nd half)	48.5	20.2	20.7	13.6	30.9	21.2	37.6	34.3		
6	2002.06.25	Tuesday	20:00	165	NTV	Semifinal: Germany vs. South Korea	48.3	20.0	23.2	27.3	32.2	24.3	40.3	32.5		
7	2002.06.26	Wednesday	21:27	63	NHK	Semifinal: Brazil vs. Turkey (2nd half)	47.6	14.3	24.7	31.8	32.8	23.0	36.9	35.5		
8	2002.06.14	Friday	15:00	174	TV Asahi	Preliminary round: Tunisia vs. Japan	45.5	15.1	17.5	13.6	26.2	20.1	38.7	31.1		
9	2002.06.18	Tuesday	15:05	74	NHK	Round of Sixteen: Japan vs. Turkey (1st half)	45.3	12.0	18.4	13.9	31.0	19.2	36.1	29.3		
10	2002.06.04	Tuesday	17:49	59	NHK	Preliminary round: Japan vs. Belgium (1st half)	43.1	20.9	20.5	16.9	26.2	15.7	34.3	29.8		
11	2002.06.07	Friday	20:10	145	TBS	Preliminary round: Argentina vs. England	41.6	23.9	27.7	28.2	24.8	23.4	36.3	20.2		
12	2002.06.26	Wednesday	20:00	79	NHK	Semifinal: Brazil vs. Turkey (1st half)	39.1	12.4	18.6	19.4	28.6	18.2	28.6	31.1		
13	2002.05.31	Friday	21:29	61	NHK	Opening match: France vs. Senegal (2nd half)	35.9	18.9	24.6	23.0	26.3	11.8	26.2	18.2		
14	2002.06.18	Tuesday	20:10	180	TV Asahi	Round of Sixteen: South Korea vs. Italy	35.4	15.2	22.0	23.1	23.2	18.4	29.9	21.6		
15	2002.06.17	Monday	21:27	63	NHK	Round of Sixteen: Brazil vs. Belgium (2nd half)	34.8	16.7	22.5	21.8	23.1	12.2	25.5	20.7		

Source: Video Research

In television, skyrocketing fees for broadcasting rights resulted in the free-to-air and pay broadcasters' playing their respective roles in broadcasting. In radio, on the other hand, they caused the strange phenomenon of simultaneous nationwide broadcasts of the same programs on commercial stations. Dentsu bought up all the advertising slots for the 101 radio stations in Japan, including AM, FM and shortwave, for 200 million yen and aired live broadcasts of the matches with the Japanese national team and the final match using the same announcers, script and commercials. The result was highly abnormal programming: listeners were forced to tune in to the World Cup on every

Figure 15. Viewer Ratings by TV Network for the Main World Cup Matches Broadcast Simultaneously by Three South Korean Broadcasters

Match	KBS1	KBS2	MBC	SBS
South Korea vs. Poland		16.2	28.0	18.8
South Korea vs. U.S.A.		11.2	23.9	14.9
South Korea vs. Portugal (Round of Sixteen)		13.7	26.8	17.1
South Korea vs. Italy (Quarterfinal)	15.7	7.7	27.6	14.5
South Korea vs. Spain (Semifinal)	14.2	5.9	30.3	14.0
South Korea vs. Germany (3rd/4th place)	14.3	15.6	33.1	10.3
South Korea vs. Turkey (Opening match)		10.3	33.0	12.3
France vs. Senegal	23.7		19.5	10.0
Japan vs. Belgium		8.1	14.8	7.4
Japan vs. Russia		11.4	20.1	14.6
Japan vs. Tunisia		3.9	4.9	2.8
Japan vs. Turkey (Quarterfinal)	6.6		8.0	4.9
England vs. Brazil	8.1		9.0	4.5
Germany vs. U.S.A.		7.2	23.9	8.4
Senegal vs. Turkey (Semifinal)		7.0	13.7	6.6
Brazil vs. Turkey (Final)		9.9	17.3	8.7
Brazil vs. Germany	16.1		24.8	8.7

Source: KBI (Korean Broadcasting Institute), TNS Media Korea Survey

channel except NHK Radio 2 and NHK FM Radio, virtually robbing them of freedom of choice.

This aberration in broadcasting was further intensified in Korea with the addition of simultaneous television broadcasting. Korea's national team made it to the semi-finals and the nation was swept up in a fever of enthusiasm. The three terrestrial broadcasters with broadcasting rights (KBS, MBC and SBS) took an unprecedented step in programming by showing 43 of the 64 games simultaneously. Compared to the current world trend towards diversification in broadcasting, this was highly unusual and represented, along with Japan's simultaneous broadcasts by 101 radio stations, an irregular form of programming. Some citizens groups and scholars in Korea criticized the television stations for wasting broadcasting waves, but these opinions were lost in the excitement and never developed into serious debate.

Viewed from the perspective that both sports and broadcasting are forms of culture, this type of programming deviates from the basic principle of respect for diversity in sports and ways of broadcasting sports, which is just as important as respecting different ways of thought. In that sense, Japanese radio and Korean television will probably live to rue their World Cup programming, despite the fact that a major event such as this will not likely be seen here again for the next half century.

CONTINUING EXPANSION AND SIGNS OF EARTHSHAKING CHANGE

According to research by Juntendo University's Sports Marketing Office, the total value of commercial and Sky PerfecTV 2002 World Cup broadcasts reached 16.2 billion yen. Advertising revenue for terrestrial and BS digital broadcasting of the sixteen games handled by commercial stations amounted to a total of 15 billion yen and was derived from the sale of full-package advertising rights to ten sponsors at 1 billion yen each and the sale of half-package rights to another ten sponsors at 500 million yen each. Commercial time for the full package was 42 minutes and 30 seconds per company on terrestrial broadcasting and 41 minutes on BS digital, and for the half package 18 minutes 30 seconds per sponsor on both terrestrial and BS digital broadcasts. With the addition of 200 million yen in radio advertising fees, total revenue for all commercial broadcasters that belonged to the World Cup JC was 15.2 billion yen. NHK and commercial broadcasters split the JC fee of 6.6 billion yen for broadcasting rights at a ratio of six to four. Thus, commercial broadcasters made an income of 12.56 billion yen on their 2.64 billion yen investment in broadcasting rights.

The next World Cup is in Germany, which will mean a time difference of seven hours for Japan. The impressive viewer ratings and advertising revenue generated by the 2002 World Cup, however, are sufficient grounds for predicting intense competition over acquisition of broadcasting rights for the 2006 tournament. This in turn has caused rumors that some broadcasters may break away from the JC and negotiate independently.

On the other hand, Sky PerfecTV, which leapt into prominence with its acquisition of Korea/Japan World Cup broadcasting rights for an enormous sum, must now continue hefty investing to secure the killer content required to retain new subscribers attracted through the tournament. Like a rat running in a wheel, Sky PerfecTV may exhaust itself one day, but until then it will fan the sense of crisis among other media and fuel the upward spiral of the broadcasting rights market. Nor will rising prices be limited to worldwide sporting events such as the Olympics and the World Cup; the trend is expected to be even more pronounced in professional sports leagues with regular seasons. American major league baseball starring Matsui Hideki and Suzuki Ichiro and European football leagues with popular Japanese players like Nakata Hidetoshi will likely become the focus of fierce competition for broadcasting rights in Japan.

An overall look at media in the world today suggests that pay satellite broadcasting will continue to increase for some time. In addition, in the ongoing process of terrestrial broadcasting digitization being implemented in various parts of the world, many countries prefer multiservice platforms to high-definition television (HDTV), which is being adopted in Japan. As a result, the increase in the number of satellite and terrestrial broadcasting channels is expected to accelerate.

A ridiculous amount of time and effort would be required to double total world advertising revenue, but in the next few years the number of channels will likely triple or even quadruple, resulting in a sudden leap in the number of pay broadcasters, both satellite and terrestrial.

There are, however, only a few events that can effectively attract the masses. The increasing number of channels must inevitably cause a stampede among the various media for the acquisition of prime content. As long as they can see the programs they want, however, ordinary citizens will have little interest in the issue, regardless of how high the broadcasting rights fees rise. The number of fans willing to pay a certain amount to watch their favorite sports will also undoubtedly continue to increase. The resounding success of the 2002 World Cup, which essentially proved groundless the fears that coverage would not be available to the masses, seems very long ago. There are many factors indicating that the expansion of the sports broadcasting rights

market will continue until it reaches a certain stopping point through the weeding-out process among media.

The ITC up until 1998 proved that collective negotiations are the most effective means for controlling the price of broadcasting rights. At the same time, however, the difficulties of maintaining such pools are apparent. The EBU now holds pool broadcasting rights through group negotiations for close to fifty international events, such as the summer and winter Olympics. This is made possible by a shared regional culture rooted in European soil and is not applicable to all regions.

The difficulty of maintaining the ABU pool for broadcasting rights in the Asian Games is a typical example. If Japan and Korea join, it raises the overall price, and the dependency of countries with weaker economies on those with stronger economies is increased. In addition, differences in the degree of interest in sports, as well as religious and cultural differences can disrupt solidarity on the sharing of funding. For these reasons, Japan and Korea have alternated between participation and non-participation in ABU's Asian Games pool broadcasting rights. At the 2002 Pusan Asian Games, a pool was formed with Japan, China and India playing a central role, and medium countries within the region, such as Thailand, Malaysia and Indonesia, left for reasons of their own. Asia's diversity frequently has unfortunate consequences, and it is much more difficult to maintain unity than in the case of the EBU.

Even within the same country, the maintenance of pools containing both commercial and public broadcasters can become difficult, depending on viewer ratings. In the case of the Olympic JC, some warn that it may be impossible to maintain a pool for combined summer and winter Olympics after 2010 because of the substantial drop in viewer ratings for the Salt Lake Winter Olympics. The fact that even the 2002 World Cup Korea/Japan, which provoked a chorus of critics against expensive rights fees, ended with commercial broadcasters gaining an enormous profit is cause for some anxiety concerning the formation of a Germany World Cup JC.

There is also a trend towards the subdivision of sports broadcasting rights. As different types of media increase, including not only multiple TV channels but the Internet and mobile phones, sports organizations are expected to further subdivide broadcasting rights.

During contract renewal in 2001, England's Premier League divided broadcasting rights into eight categories for sale to the media: live broadcasting, rights for full coverage on a delayed basis, highlight rights, news rights, pay-per-view (PPV) rights, Internet rights, mobile phone rights, and radio broadcasting rights. As mentioned previously, the pay satellite broadcaster BSkyB secured the live broadcasting rights, the greatest of the eight, while the free-

to-air terrestrial broadcaster ITV acquired highlight rights, cable television NTL acquired PPV rights, in which viewers were charged per game, and the public broadcaster BBC acquired only radio rights.

Although some of the eight categories were not contracted, the league earned 1.6 billion pounds in just three years from the broadcasting industry. The Premier League's system of dividing rights will likely be emulated by other sports organizations.

In negotiations for Olympics in and after 2010, which are believed to have already commenced unofficially, rights will probably also be divided in this way. At the New Media Committee meeting held in December 2000 immediately after the Sydney Olympics, the IOC decided to establish Internet rights from the year 2010. Although the basic policy to date has been to give priority to free-to-air broadcasting, the IOC probably will not mind changing it as long as free-to-air and pay broadcasters do not conflict. The World Cup has already established a successful precedent.

The division of rights, which heightens the convenience for people using various media, not only helps to mitigate the criticism of sports organizations that intensifies every time broadcasting rights prices skyrocket but also increases income sources.

At the same time, FIFA and IOC's dependence on the media is extraordinary, with broadcasting rights accounting for 80 percent of FIFA's total income and 75 percent of the IOC's. This situation is not limited to worldwide sports organizations; America's four major professional sports and European pro football leagues are similarly dependent. Supported by high-priced broadcasting rights, players' annual salaries have risen to astronomic heights and the trading business is the only way the majority of professional Major League baseball and European football teams can stay in operation. A strike by Major League baseball players was almost precipitated during the 2002 season in protest against a proposed luxury tax. The distancing of many fans during the prolonged 1994 Major League strike is evidence that love for a specific sport is not necessarily eternal. The delaying of the start of Italy's Serie A, if it had continued any longer, might have had similar results.

Any sport that loses the support of the masses must decline. This is the fate of spectator sports as opposed to participatory sports. The various recent crises, some of which I mentioned at the beginning, are a strong indication that the contradictions in viewer-oriented sports surrounding mushrooming income from television broadcasting rights are now coming to a head and that we are on the brink of some earthshaking changes.

At the end of the 1980s when satellite broadcasting began to overwhelm the European market, I heard EBU President Albert Sharf, say with wry wit, "The

ghost of sports broadcasting rights is prowling Europe." If the situation develops to the point where broadcasters refuse to pay for prohibitively expensive broadcasting rights as a matter of conscience, sports organizations and the broadcasting industry will not be the only ones to suffer. The loss to ordinary citizens will be immeasurable.

In 2003, Japanese television marked its fiftieth anniversary. During that fifty-year period, the sports business grew from one that charged only a small fee for use of facilities to a mammoth business in broadcasting rights that governed the media.

Sports programs, once shown only on weekends, have been transformed into weeklong content, with daily programs designed to attract viewer interest. We cannot overlook the fact that, as the elimination of borders between domestic and overseas sports progresses, daily broadcasts of events in other countries are significantly contributing to international understanding. If both sports organizations and broadcasters do not exercise wisdom, however, these opportunities for cultural exchange will be wasted.

Postscript

Remarkable developments have taken place in the United States since this article was written in mid-January. On February 2, NBC began live broadcasts of the little-known Arena Football League. A new pro sport invented in the 1980s, arena football is a fast-paced, indoor version of American football, played by teams of eight players on fifty-yard-long fields laid over rinks normally used for ice hockey. After holding the terrestrial broadcasting rights to the NBA (basketball) since 1989, NBC has already abandoned hope of renewing that rights contract for 2003 and beyond. Since it no longer covers MLB (baseball) and the NFL (American football) either, this move means NBC's withdrawal from the three major American pro sports. The only major sporting event the NBC still covers is the Olympic Games. With the CBS, ABC, and Fox networks also failing to show interest in the NBA, from the 2003 season on, the NBA will be broadcast on cable TV only. Meanwhile, according to some forecasts, for the period up to 2006, CBS, ABC, and Fox are expected to post combined losses of some 5.5 billion dollars for their rights to the MLB, NFL, and other sports, which suggests they might follow NBC out of the major sports broadcasting arena at any time. A tectonic shift appears to be taking place in sports broadcasting in the United States, the home of professional sport.

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