

Why not Canada?



A joint Globe and Mail/TSN project studied four Canadian markets with the goal of determining which would be most realistic for an NHL franchise

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A decade ago, with the loonie tanking and the NHL expanding to non-traditional hockey markets, Canadian fans fretted about the possible extinction of all the country's NHL franchises, save for the Toronto Maple Leafs.

The Winnipeg Jets and Quebec Nordiques had already moved to become the Phoenix Coyotes and Colorado Avalanche, respectively, when American George Gillett Jr. was introduced as the Montreal Canadiens' new owner in January of 2001. He felt compelled to ease the tension by saying: "These are the Montreal Canadiens, not the Oklahoma City Canadiens."

Fast-forward nine years. Today, fans are talking about the possibility of a seventh franchise in Canada to go with the thriving six, whether by expansion or relocation. The assumption – it's not if, but when.

"Hockey [in Canada] is at its mecca now," says Professor Norm O'Reilly, an expert in sponsorship and franchise business models at the University of Ottawa. "The Canadian economy is probably at its best position versus the U.S. than it's been in a long time. So right now is a great time."

A joint Globe and Mail/TSN project studied four Canadian markets – Winnipeg, Hamilton, Quebec City and the Greater Toronto Area – with the goal of determining which would be most realistic for an NHL franchise. Each market will be reported separately in the next four instalments of a six-part series, both with a story in The Globe and a segment on TSN's SportsCentre.

We relied upon economic data from Statistics Canada and the Conference Board of Canada, and an assessment of the four markets by Environics Analytics. IMI International further studied the impact of a second franchise in the GTA. We talked to economists, fans, potential owners, competition lawyers and market research specialists, and considered arenas, corporate presence, regional interest in hockey and demographics. O'Reilly studied the data and interview transcripts, and assigned a letter

grade to each of the cities to assess franchise viability. He looked first at the market itself, then considered critical circumstantial factors.

Five years after the lockout that wiped out the 2004-05 season, the NHL has regained stability in the United States. And yet, the Coyotes' financial saga indicates problems with isolated U.S. markets. In Phoenix, Nashville, Atlanta, Florida and Tampa Bay, teams play in far-from-filled arenas despite generally inferior ticket prices compared to those in Canada.

That spells potential trouble in a gate-driven league and leads to speculation about franchise relocation to Canada. Jim Balsillie's attempt to bring the Coyotes to Hamilton last year, followed by the Coyotes nearly relocating to Winnipeg more recently, served only to stoke the fever.

"The future of the league is to go back to where there is a big fan base," says Marcel Aubut, former president of the Nordiques and an adviser to the city in its attempt to land a franchise. "And where is that? It's right in Canada. There are many elements now playing to allow the population to dream again."

Among those elements are the league's salary cap and revenue generation. An inability to handle rising player salaries factored heavily into the loss of the Quebec and Winnipeg franchises.

Canadian hockey fans routinely see NHL commissioner Gary Bettman as the villain in this story, the primary roadblock to northward migration. In an interview, he insisted the NHL is not expanding and remains committed to existing markets. Yet, he also acknowledged that ripe conditions exist in specific Canadian cities.

"I'd like fans to know that we are very focused on the issue and we have been," Bettman says. "But I'd also like people to know that it's not going to happen overnight, like throwing a light switch, and people need to be patient."

Hamilton and Toronto have the requisite economic prowess to support a professional sports franchise. An NHL team in Quebec City would have the professional sports market to itself, while in Winnipeg a franchise would face competition only from the opposite-season CFL.

Here's snapshot of the four markets:

Winnipeg: The city's economy showed resiliency during the recession and the population is growing at roughly three times the rate as when the Jets left for Phoenix in 1996. Local businessman Mark Chipman and his Toronto-based partner David Thomson aim to bring a team into the downtown MTS Centre, which would be the NHL's smallest building with 15,015 seats and 50 luxury boxes. Given that revenue generated by the building wouldn't match that of the top buildings in the league, there's limited upside and the franchise could conceivably have trouble attracting free agents. Is the league really interested in returning to the 'Peg? Bettman has recently indicated that the priority of the league may be to take care of markets where teams existed previously. "The market size to me hasn't been a concern," Bettman says. "I know there are plenty of hockey fans there."

Quebec City: In 1995, Aubut sold the Nordiques to Denver investors after the Quebec government refused to authorize a bailout. The economy has diversified over the past 15 years and Quebec's unemployment rate ranks among the lowest in North America. The NHL's decision to return would hinge on the success of a campaign for a new publicly funded \$400-million arena, championed by the mayor. How passionate is the business community? Suites for the nonexistent building have already sold out. Media giant Quebecor, led by CEO Pierre Karl Péladeau, wants to own the franchise.

Hamilton: The market is far bigger than the city itself; more than three million people live within an 80-kilometre drive of Copps Coliseum. But the arena needs major upgrades, and various estimates of costs range between \$50-million and \$200-million. Despite acknowledging in federal court in Phoenix that revenues generated by a Hamilton franchise would be among the league's highest, the NHL

claims not to have studied the feasibility of putting a franchise in the city. Says Bettman: "If you were to have a second team in Southern Ontario ... maybe it belongs in London, maybe it belongs in Waterloo. Who knows? The notion that 'well, there's an old building that happens to be there [so] let's go,' I don't think that's the way you put your franchises on the ground."

Toronto: Research demonstrates a massive appetite among sports fans for a second NHL team in Toronto, roughly double the interest in attracting an NFL team. The corporate support would be all but guaranteed, as Toronto is the location of more than 900 head offices. There is land available for a new arena at the Woodbine racetrack and the former Downsview Airport. But a second team would have an impact on the overall entertainment industry, in which Maple Leaf Sports and Entertainment is heavily engaged. Do the Leafs have a veto? MLSE disagrees with the NHL about its right of territorial control over a market of more than five million people. But even if a deal could be made to compensate MLSE, the cost of an expansion or relocation fee, plus a new arena, could be prohibitive. Meantime, in spite of many rumours, no company or individual has stepped forward to begin the process of establishing a franchise.