

Fantasy Football! How Many Teams Could There Be in the Canadian Football League?

by Glen Hodgson and Mario Lefebvre | November 2011

Fans of the Canadian Football League are passionate—about their teams and about their game. But could that passion be enough to support more CFL franchises?

Another Canadian Football League season is done. On November 27 in Vancouver, the BC Lions beat the Winnipeg Blue Bombers to win the 99th Grey Cup championship game.

Amateur and professional competition for the Grey Cup dates back to 1909, but the trophy has been the sole property of the CFL since the league was officially founded in 1958. The league—which represents the highest level of football played in Canada—is also the professional sports league with the largest number of franchises in Canada at eight. That's one more Canadian team than in the National Hockey League.

Still, with no teams outside Canada, the CFL is a small league in terms of franchise numbers. That creates a problem—the teams play each other too many times, thereby diminishing the entertainment value. The CFL has two divisions—East and West—with four teams in each. The league's regular season consists of 18 games spread over 19 weeks of play, and each team plays its divisional rivals three or four times and plays teams from the other division twice.

We like football, and our work so far in this *Playing in the Big Leagues* series of briefings has made us wonder whether market conditions in Canada could support an expanded CFL. In *Defining the Market Conditions for Success* (the second briefing in the series), we established that a professional sports franchise can be successful over the long run in a specific market if four market conditions are met. They are:

- a large (enough) and growing population;
- a relatively wealthy market;
- a sound corporate presence; and
- a level playing field.

Other factors—such as league operating conditions and franchise-specific factors (e.g., ownership)—are also important to financial success. But for the purpose of this briefing, we focus on the market conditions needed for a CFL franchise to be successful, and how many more CFL teams could the country sustain.

CFL Market Conditions

The CFL is not one of the four major North American pro sports leagues, nor does it claim to be. The CFL is not trying to compete with the National Football League. Instead, it is a second-tier league (similar to the American Hockey League, which largely serves as a development league for the National Hockey League). Therefore, the market requirements for a successful franchise in the CFL are not the same as those of a franchise in a top-tier league. This is particularly true when it comes to two of the market pillars mentioned above—corporate presence and a level playing field. Of course, the stronger the corporate presence in a market, the better are a CFL team's chances for success. A strong corporate presence increases a team's revenues from corporate boxes and boosts sponsorship and paid advertisement. However, a CFL team's revenue requirements are not the same as those of an NHL franchise, principally because the player salary cap in the CFL is so much lower. This year, the CFL cap was set at \$4.3 million. In contrast, the NHL cap this season is \$64 million—about 15 times more. Even if one compares the salary cap of each league per home game, the ratio would favour the CFL. At less than \$500,000 per game (\$4.3 million divided by nine home games), the CFL cap on a per game basis is less than a third of the NHL's, which stands at over \$1.5 million per game (\$64 million divided by 41 home games).

The two market pillars that matter the most to the CFL are population and the relative wealth of the market. Similarly, since the CFL has franchises only in Canada, the level playing field criterion is much less in play. With all teams located in Canada, 1 franchise in the CFL do not have to contend with issues related to the exchange rate. While many U.S.-born players (nearly 50 per cent of CFL players) were certainly unhappy when the Canadian dollar was at 62 cents U.S. in 2002 and were less likely to sign with a CFL team, the weakness or strength of the dollar does not favour any one franchise over another (unlike in the NHL, where the weak Canadian dollar made it difficult for Canadian-based teams to compete financially with U.S.-based franchises).

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The smallest market is that of the Saskatchewan Roughriders, with Regina at 215,000 people. The Roughriders are a highly successful franchise, so it could be argued that the minimum market size required to support a CFL team is as low as 215,000.

But we don't believe that a market of 215,000 is sufficient to support a CFL franchise. The Saskatchewan Roughriders, while located in Regina, are properly named—the team benefits from the support of the entire province, and even that of Saskatchewan natives living outside the province. So we don't think that there could soon be a game between, for example, Regina and Saskatoon—adding a second franchise in Saskatchewan would divide a unique market and place one or both franchises at risk.

This prompts the question: If 215,000 is too low, what is the minimum population required to sustain a CFL franchise? The second-smallest CFL market is Hamilton, with a population of 740,000. If this is the minimum population required, only Ottawa–Gatineau and Québec City can be viewed as potential expansion markets. However, at least four other markets—Kitchener, London, Halifax, and Moncton—should be considered. That means six markets are potential candidates for expansion.

Ottawa–Gatineau

At over 1.2 million people, the Ottawa–Gatineau CMA should never have lost its CFL franchise.² The national capital is slated to get a team again. After repeated delays and setbacks in the approval process, the return of the CFL to Ottawa is now targeted for the 2014 season, once Lansdowne Park has been renovated. Once again, the CFL will be a nine-team league.

Québec City

With a population of over 750,000, Québec City would appear to be next in line for a CFL franchise. It is already home to one of the most successful teams in Canadian Interuniversity Sport (CIS) football, the Laval University Rouge et Or. The Québec City economy has been one of the best performing municipal economies east of Saskatchewan over the past decade, pushing per capita disposable income of the CMA up to 10th spot among Canada's 27 largest CMAs in 2010. Moreover, Québec City already has a football stadium. PEPS (Pavillon de l'éducation physique et des sports) stadium officially seats a little over 12,500, but on many occasions nearly 20,000 fans have packed themselves in for an important Rouge et Or match. While the stadium would require a bit of work to meet the needs of a CFL team on a permanent basis, it provides a sound starting point.

Although Québec City would appear to be second in line for a franchise, it should not be viewed as a priority market for now.

However, all of the CMA's current efforts to attract a professional sports franchise are being concentrated on bringing the NHL back to the city. For now, Québec City should not be viewed as a priority CFL market. But if the city is successful in its bid to bring NHL hockey back to Québec City, and if it shows that it can support the team, that could put a different perspective on the question of whether a CFL team could flourish there as well. One key issue is whether the Québec City market would be overstretched with both an NHL and a CFL team. But there is only a partial

overlap in the CFL and NHL seasons; and given the incredible success of the Rouge et Or, Québec City must be considered as a potential CFL market over the long term.

Kitchener–Cambridge–Waterloo and London

These two Ontario markets are grouped together as they are similar in size, with the population in each CMA reaching nearly 500,000 in 2010. Both are home to CIS football teams, and both have long and successful football traditions. With respect to per capita disposable income, Kitchener–Cambridge–Waterloo (KCW) ranks well, with a level of \$29,200 in 2010. That is higher than Hamilton or Montréal. Per capita disposable income in London stood at \$27,408 in 2010, which would make it the lowest of all markets currently in the CFL and 21st among Canada's 27 largest CMAs.

In terms of possible playing facilities, London possesses an advantage. TD Waterhouse Stadium, home of the Western Ontario Mustangs, can seat 8,000 people. While this capacity is clearly not sufficient for a CFL franchise, the Montreal Alouettes took about 10 years to renovate and reshape the aging but revered Percival Molson Stadium into a CFL-worthy facility with seating capacity of 25,000. A major investment would be required to expand London's facilities, but TD Waterhouse Stadium provides a foundation to build upon.

The same does not hold true for KCW. While there are three football stadiums in the CMA (two of which are used by CIS football teams), all three are small and would require large investment to expand or rebuild to reach the 25,000 or more in seating capacity required for a CFL franchise. Kitchener's Centennial Stadium seats just 3,200 spectators (but, on the plus side, does have easy highway access from Waterloo, Guelph, and Cambridge). University Stadium in Waterloo seats 6,000 and is home to the Wilfrid Laurier Golden Hawks. Warrior Field—home of the University of Waterloo Warriors—is new but has a capacity of just 5,400, including seating for 1,400 in the grandstand.

Given the much larger investment that would be required to build a CFL-suitable stadium in the KCW area, and given the relatively close distance to Hamilton and Toronto with their CFL teams, the London CMA has the edge when it comes to its potential as a new market for the CFL. But both London and KCW have their limitations and would be long shots to win or maintain franchises.

One other factor regarding the establishment of an additional CFL franchise in Southern Ontario is potential market saturation. There are already two CFL teams in Southern Ontario (Hamilton and Toronto), and residents of the region can also drive to Buffalo to watch the Bills of the National Football League (or they can catch the Bills in Toronto, where the team plays one regular-season game each year). And it is not certain that the Southern Ontario market could support any more CFL teams.

Halifax and Moncton

Two other potential CFL markets are located in Canada's Atlantic provinces. Atlantic Canada does not currently have a top-tier professional sports franchise, despite the obvious appetite for sports in the area. But to support a franchise, a region needs more than just an appetite for pro sports. With a population of slightly more than 400,000 people, Halifax would be a relatively small urban market for the CFL. Still, the Saskatchewan Roughriders have shown that a team with provincial and regional reach can be successful, and a Halifax-based franchise could become a team for the entire Maritimes. The biggest challenge for Halifax is the lack of a CFL-quality facility. Huskies Stadium at St. Mary's University can seat up to 11,000 fans, as it did in 2005 when the stadium hosted an exhibition game between the Hamilton Tiger-Cats and the Toronto Argonauts and temporary stands were constructed for the event. (The "Touchdown Atlantic" game was aimed at gauging the region's public support for a CFL franchise.) However, on a permanent basis, the stadium seats only 4,000 people. Given the physical space constraints, a major expansion of Huskies Stadium would be very difficult. Therefore, a significant investment would be required to create a CFL-ready stadium in the Halifax area.

Moncton's central location in Atlantic Canada plus the higher seating capacity of its stadium give Moncton the edge over Halifax.

Moncton must also be considered as a potential new CFL market in Atlantic Canada. This New Brunswick CMA is home to 126,000 residents, making it even smaller than Regina. However, the city has gained the nickname of “Hub City” because of its central location in the region and because Moncton has historically been the railway and land transportation hub for the Atlantic provinces. With its central location, a team based in Moncton could benefit from the support of the entire province of New Brunswick (with a population of more than 750,000) and much of the rest of Atlantic Canada.

The city has a playing facility that is almost CFL-ready—Moncton Stadium, located on the campus of l’Université de Moncton. Originally built to host the 2010 world junior track and field championships, the stadium has 10,000 permanent seats, and is expandable to a 20,725 capacity via temporary seating. The stadium hosted the first CFL regular season game in the Maritimes (again called “Touchdown Atlantic”) in September 2010. A second regular season game was played there in September 2011.

While Moncton Stadium would require some work to bring it permanently up to CFL standards, it gives Moncton an edge over Halifax in obtaining a CFL franchise for Atlantic Canada. Still, neither the Moncton nor the Halifax market alone is large enough to ensure long-term viability of a CFL team. If a franchise does come to the Maritimes, its owners will have to work hard to market the team as a regional franchise—one that can attract fans from the neighbouring provinces as well, and do so on an ongoing basis.

Conclusion

Our market analysis indicates that there is room for more than eight teams in the Canadian Football League. Ottawa is already expected to join in 2014, and cities such as London and Moncton could be contenders. If positioned and marketed as regional teams, both locations have the required market size, as well as stadiums that could be expanded to become permanent CFL facilities.

Adding Ottawa, London, and Moncton would lift the number of teams in the CFL from 8 to 11. As for Québec City, the focus for now is solely on bringing the NHL’s Nordiques back. But the CFL could be the next step for this community over the longer term. That would increase the total number of teams to 12. Looking even further into the future (and depending on the success of Moncton and London), Kitchener–Cambridge–Waterloo and Halifax could join the league. But this is where it would stop (at least for the next 10 to 20 years). Fourteen teams has to be viewed as the upper limit for the CFL.

Expansion will not happen overnight. Moreover, there is the issue of ownership. Even in a good market, strong ownership is key to a franchise. Finding dedicated owners for each additional CFL franchise will be key to the long-term success of any new franchise.

Still, there is considerable room for growth in the CFL—from the current 8 to an upper limit of 14 teams. A CFL of 10 or 12 teams would be much more entertaining for fans, and would create new regional rivalries that don’t exist today. An expanded CFL—one that grew step by step—could have a bright future.