What Will the Canadian Pro Sports Scene Look Like in 2035?

by Glen Hodgson and Mario Lefebvre | August 2012

Today, professional sports are big business in Canada. Baseball, football, soccer, and (most of all) hockey draw huge numbers of fans to stadiums and to television screens across the country. But what will the professional sports scene look like in the future?

Professional sports are about giving the fans what they want today, while at the same time preparing for the future. But what will that future look like? In this latest release in our Playing in the Big Leagues series of briefings, we draw on the economic forecasting skills that The Conference Board of Canada has built up over the past three decades and combine them with the analytical framework developed throughout this series to define what the Canadian professional sports scene could look like nearly a quarter of a century from now—in 2035.

The professional sports scene could, and likely will, change significantly over the next 23 years. A quarter of a century ago, boxing and horse racing were mainstream sports. Professional mixed martial arts (MMA) fighting did not exist. And soccer was still a marginal sport in North America. Look at how much things have changed since then. The work presented here is based mainly on an extrapolation of what exists today—it does not attempt to predict everything that could happen in the professional sports world in North America in the coming years. However, it does include the impact of population aging and the continued rise in immigration on the professional sports scene in Canada.

Looking Ahead Based on the Four Pillars

Throughout this series, we have frequently referred back to the four market pillars for professional sports franchise success, which we first introduced in Briefing 2: Defining the Market Conditions for Success. Those four market pillars are:

- market size;
- income levels;
- a strong corporate presence; and
- a level playing field.

To paint a picture of what the professional sports scene will look like in Canada in the future, we looked at how each of the four pillars is likely to evolve in Canada over the coming years. We decided to take the long view, looking at how things will change between now and 2035. Fortunately, we were able to use The Conference Board of Canada's long-term economic forecast for Canada and for each province as a basis. The long-term economic forecast has been produced for over two decades and provides a strong foundation for our work here.

Market Size

This first pillar, market size, is key to determining a local market's professional sports capacity. In 2010 (our baseline year), Canada contained six census metropolitan areas (CMAs) with populations greater than 1 million—Toronto, Montréal, Vancouver, Calgary, Ottawa–Gatineau, and Edmonton. (See Table 1.) By 2035, we project there will be one more: Winnipeg. All seven of these CMAs are currently home to a National Hockey League (NHL) franchise. Hamilton and Québec City (contenders to obtain NHL franchises, according to our analysis in Briefing 12: How Many NHL Franchises Could Canada Sustain?) will both see their populations rise above 900,000, but neither is expected to reach the 1 million threshold by 2035. Therefore, there were nine CMAs with populations of 750,000 or greater in 2010, and there will still be nine in 2035.

Between 2010 and 2035, Toronto is expected to post the largest population increase of any Canadian CMA—up by more than 3 million. Vancouver and Montréal are next, with the population of each anticipated to increase by more

than 1 million. Overall, 14 Canadian CMAs are forecast to achieve a population increase of more than 100,000 during that period.

Table 1
Population Growth in Canada's CMAs

	Population in 2010	Population in 2035	Change	Average annual percentage change
Toronto	5,741,400	8,995,100	3,253,700	1.8
Montréal	3,859,300	4,926,500	1,067,200	1.0
Vancouver	2,391,300	3,588,800	1,197,500	1.6
Calgary	1,242,600	2,063,900	821,300	2.1
Ottawa–Gatineau	1,239,100	1,704,500	465,400	1.3
Edmonton	1,176,300	1,703,300	527,000	1.5
Winnipeg	753,600	1,094,200	340,600	1.5
Hamilton	740,200	943,800	203,600	1.0
Québec City	754,400	919,200	164,800	0.8
Kitchener–Waterloo–Cambridge	492,400	706,400	214,000	1.5
London	492,200	602,500	110,300	0.8
Oshawa	364,200	560,400	196,200	1.7
Halifax	403,200	498,100	94,900	0.8
Victoria	358,100	474,200	116,100	1.1
St. Catharines	404,400	440,300	35,900	0.3
Saskatoon	265,300	430,200	164,900	2.0
Windsor	330,900	375,300	44,400	0.5
Regina	215,100	305,300	90,100	1.4
Sherbrooke	197,300	255,800	58,500	1.0
Abbotsford	174,300	249,200	74,900	1.4
St. John's	192,300	224,900	32,600	0.6
Kingston	162,500	191,100	28,500	0.6
Moncton	126,400	178,800	52,300	1.4
Sudbury	164,700	168,400	3,700	0.1
Trois-Rivières	146,500	159,900	13,400	0.4
Saguenay	152,200	137,100	–15,100	–0.4
Saint John	128,000	130,000	2,000	0.1
Thunder Bay	126,700	116,400	–10,300	–0.3

Sources: Statistics Canada; The Conference Board of Canada.

Table 2 provides another demographic dimension—that of population aging. While most of Canada's CMAs will witness a population increase (thereby increasing their professional sports market capacity), the share of their populations aged 65 and over will increase rapidly over the next 25 years.1 In Toronto, the population aged 65 and over will increase by more than 1 million, equal to one-third of the expected population increase. And this pattern is even more pronounced in Vancouver and Montréal. In Vancouver, the population aged 65 and over will be equivalent to one-half of the overall population increase. In Montréal, that figure rises to two-thirds. So while 14 CMAs will see

their populations increase by 100,000 or more between 2010 and 2035, only 10 will see their under-65 population increase by 100,000 or more. As a glance at the crowd at almost any major sporting event today clearly shows, the core market for professional sports is people well under the age of 65. Therefore, population aging in Canada will have a mild dampening effect on the overall growth of the pro sports market.

Table 2
Canadian CMAs Face Aging Populations

	Share of 65+ in 2006	Population aged less than 65 in 2010	Share of 65+ in 2035	Population aged less than 65 in 2035	Change in population less than 65	Average annual change, per cent
Toronto	12	5,052,400	22	7,016	1,963,700	1.3
Montréal	14	3,319,000	25	3,694,900	375,900	0.4
Vancouver	13	2,080,400	25	2,691,600	611,200	1.0
Calgary	9	1,130,800	18	1,692,400	561,600	1.6
Ottawa–Gatineau	12	1,090,400	22	1,329,500	239,100	0.8
Edmonton	11	1,046,900	20	1,362,600	315,700	1.1
Winnipeg	14	648,100	19	884,100	236,100	1.3
Hamilton	15	629,200	25	707,800	78,600	0.5
Québec City	14	648,700	25	689,400	40,600	0.2
Kitchener–Waterloo–Cambridge	12	433,300	22	551,000	117,700	1.0
London	14	423,300	24	457,900	34,600	0.3
Oshawa	11	324,100	21	442,700	118,600	1.3
Halifax	12	354,800	27	364,600	9,800	0.1
Victoria	18	293,600	30	331,900	38,300	0.5
St. Catharines	18	331,600	28	317,000	−14,600	−0.2
Saskatoon	12	233,400	17	357,000	123,600	1.7
Windsor	13	287,800	23	289,000	1,100	0.0
Regina	13	187,200	18	250,300	63,100	1.2
Sherbrooke	14	169,700	25	191,900	22,200	0.5
Abbotsford	13	151,600	25	186,900	35,300	0.8
St. John's	11	171,200	30	157,900	−13,300	−0.3
Kingston	15	138,200	25	143,300	5,200	0.1
Moncton	14	108,700	30	125,000	16,200	0.6
Sudbury	15	140,000	25	126,300	−13,700	−0.4
Trois-Rivières	17	121,600	28	115,100	−6,500	−0.2
Saguenay	15	129,300	26	101,400	−27,900	−1.0
Saint John	14	110,100	30	90,900	−19,200	−0.8
Thunder Bay	16	106,400	26	86,200	−20,300	−0.8

Sources: Statistics Canada; The Conference Board of Canada.

Income Levels

Over the next 25 years, the Conference Board forecasts that economic growth in Canada will slow to less than 2 per cent annually, due largely to population aging and slower labour force growth. Only two provinces—Alberta and Saskatchewan—will grow faster than the national average, as they continue to benefit from strong demand for commodities from emerging countries, such as India and China.

This growth outlook bodes well for the relative wealth of markets such as Calgary, Edmonton, Regina, and Saskatoon. Well-managed pro sports teams in these markets can reasonably expect to have financial success. Toronto is Canada's largest pro sports market, and we expect wealth to continue to grow in the Greater Toronto Area. The region will continue to benefit from a large influx of immigrants, boosting the area's domestic demand and overall economic activity.

A Strong Corporate Presence

The paradigm linking people to jobs has shifted somewhat—from "people go where the jobs are" to "companies go where the people are." Today, companies want to locate to where they can be confident they will find the skilled labour they need over the short, medium, and long term.2 Accordingly, we expect that the number of corporate head offices will increase more rapidly in areas where the population will be increasing at a faster pace, particularly in those areas with a relatively younger population. Table 2 shows that growth in the under-65 population will be stronger in Toronto, Vancouver, Calgary, Edmonton, Regina, Saskatoon, Kitchener–Waterloo–Cambridge, Oshawa, and Winnipeg. Accordingly, we expect that these markets are likely to post the strongest increase in the number of head offices moving forward. In the case of Toronto, Calgary, and Vancouver, this will be the continuation of a well-established trend. For Edmonton, Regina, Saskatoon, Kitchener–Waterloo–Cambridge, Oshawa, and Winnipeg, this expected expansion of head offices will improve their financial capacity to support pro sports.

Table 3
GDP growth, 2010–35
(GDP, 2002 $ billions)

	GDP in 2010	GDP in 2035	Average annual percentage change
Newfoundland and Labrador	17.6	21.3	0.8
Prince Edward Island	3.8	5.7	1.6
Nova Scotia	27.0	36.6	1.2
New Brunswick	21.9	29.5	1.2
Quebec	253.4	382.3	1.7
Ontario	485.0	835.3	1.9
Manitoba	39.6	67.2	2.1
Saskatchewan	39.4	70.9	2.4
Alberta	178.3	345.2	2.7
British Columbia	154.0	250.9	2.0
Canada	1,234.5	2,067.2	2.1

Sources: Statistics Canada; The Conference Board of Canada.

A Level Playing Field

The value of the Canadian dollar versus the U.S. greenback is a critical element in the business success of Canadian pro sports franchises in the National Hockey League and Major League Baseball (MLB), as they have to compete against teams based in the United States. Because player salaries in these leagues are set in U.S. dollars, a strong loonie reduces the Canadian-dollar cost of player salaries, while a weak loonie increases those costs. The Conference Board's expectation is that the dollar will remain strong in relation to the U.S. dollar over the longer term. The value of the Canadian dollar and a healthier fiscal position than that of the U.S. bode well for pro sports on this side of the Canadian border over the next two decades.

Another plus for Canadian teams is the fact that Canada's fiscal position is much healthier than that of the United States. The U.S. federal government will eventually have to tackle its fiscal deficit, which today stands at nearly $1.4 trillion, and U.S. states and cities will also have to deal with their structural fiscal imbalances. To do so, U.S. jurisdictions will likely have to increase taxes eventually. As this happens, any gaps between Canadian and U.S.

personal and business tax rates will diminish. This would be good news for Canadian franchises playing in North American professional sports leagues, as it would improve their relative competitive position.

Both of these factors suggest that, unlike in the past, Canadian franchises will have little financial incentive to leave Canada for greener pastures south of the border. The 2011 return of the Jets to Winnipeg is a reflection of the changed economic conditions in Canada and bodes well for pro sports on this side of the border over the next two decades.

Will professional sports leagues increase their efforts to level the playing field among their teams? We think Major League Baseball will. With people being offered a greater variety of sports and cultural activities from which to choose, we believe MLB will eventually have to come up with some type of system that will either limit the spread between the highest and lowest team payrolls and/or enrich the revenue-sharing scheme among franchises. MLB has already changed its playoff format to include two more teams starting this season. And pressure to become more competitive may come not only from fans, but also from owners of franchises in smaller markets who are tired of not getting their fair share of the pie.

A Fearless Forecast: The Professional Sports Scene in Canada in 2035

Hockey

What does this all mean for the professional sports scene in Canada by 2035? In earlier briefings, we stated that an NHL franchise in Canada needed a minimum market of close to 800,000 to succeed. As shown in Table 1, there were nine CMAs with a population at or above that threshold in 2010, and there will still be just nine in 2035. Kitchener–Waterloo–Cambridge will come close to the threshold, with a population of a little over 700,000 by 2035, but only 550,000 of its residents will be under the age of 65. We therefore forecast that there will be no more than nine NHL cities in Canada in 2035. This includes the markets with existing teams (Toronto, Montréal, Ottawa–Gatineau, Winnipeg, Calgary, Edmonton, and Vancouver) and two potential new markets—Québec City and Hamilton, both of which face significant start-up costs (notably, a new arena in Québec City and major arena renovations and potential territorial fees in Hamilton).

Unfortunately for residents of the Maritimes, they will have to wait longer than 25 years to witness the appearance of NHL hockey in their region. Halifax, the Maritimes' largest city, will be home to just under 500,000 people in 2035. And out West, although Saskatoon will have grown to 430,000 in 2035, the city will still be too small to sustain an NHL franchise.

If the financial challenges of acquiring a franchise can be met, we foresee the introduction of NHL teams in Québec City and Hamilton, and a second team in the Toronto metropolitan area over the next 25 years.

For Toronto, Montréal, and Vancouver, the growth in their populations prompts the question of whether any could support a second NHL franchise. We see potential in only one of these markets—Toronto. By 2035, the population in the Toronto CMA will reach 9 million people, up more than 50 per cent from the current 5.7 million. And for the Greater Toronto Area as a whole, the head count will grow to 10.5 million from the current 6.8 million. While that population will be older on average that it is today, the under-65 population will still grow by 2 million. Corporate headquarters are likely to continue to increase in Toronto, providing additional potential support for a second NHL franchise in the Toronto CMA.

The challenge for a second Toronto franchise will be to make the business economics work, since the cost of entry into the NHL will be steep. Those costs include the cost of acquiring a franchise, building a quality playing facility, and addressing the Leafs' territorial rights. While it is difficult to put a final tally on the start-up costs, our estimates start at $750 million and increase up to $1 billion (in 2010 dollars) or more. There is also the potential issue of dealing with the new ownership structure for the Maple Leafs (under which media giants Bell and Rogers are co-owners of the franchise) and gaining access to broadcast media for games. However, if Bell and Rogers decide to work out an arrangement and are prepared to provide access to the media market, this could create the conditions for a second NHL franchise in the Toronto area.

Therefore, if the financial challenges of acquiring a franchise can be met, we foresee the introduction of NHL teams in Québec City and Hamilton, plus the addition of a second team in the Toronto CMA over the next 25 years.3 These additions would increase the number of Canadian NHL teams to 10.

As a point of comparison, six new Canadian teams joined the NHL between 1970 and 1990. Vancouver was the first addition in 1970. Edmonton, Winnipeg, and Québec City were folded into the NHL following the dismantling of the World Hockey Association in 1979. The Flames arrived in Calgary from Atlanta in 1980, and Ottawa was awarded an expansion franchise that began play in the 1992–93 season. But the Québec City franchise left for Colorado in 1995, while Winnipeg's team left for Phoenix in 1996. (Winnipeg regained its status as an NHL city in 2011 when Atlanta's second NHL franchise—the Thrashers—was relocated north to Canada.)

Baseball and Basketball

We do not foresee an additional NHL franchise in either Montréal or Vancouver over the next 25 years, but we believe there will be developments in the sports scenes of both markets. Montréal already possesses the basic market conditions required to support a MLB franchise and will strengthen its position over our forecast horizon. Therefore, it could be home to a MLB franchise for a second time. And Vancouver could be home to a National Basketball Association (NBA) franchise, also for a second time.

The NBA could return to Vancouver one day and be successful, especially if the Canadian dollar remains strong. Looking at the Montréal market, the population of the Montréal CMA is projected to rise to almost 5 million by 2035, an increase of over 1 million. Two-thirds of that increase will be aged 65 and over—which is why we believe Montréal will be an even better market for baseball in the future. Baseball, with its more leisurely pace and quieter atmosphere that gives fans a chance to chat with fellow fans over a cold one, is better suited to attracting an older fan base. But for Montréal to get its team back, Major League Baseball will have to create a more level playing field among its franchises. Without such an adjustment, which would give every team a chance to be more competitive and maintain fan interest over the long term, MLB will not return to Montréal—fans there will simply not support a team that has virtually no chance of ever winning a championship. And, of course, a return of MLB in Montréal would require a new stadium and deep-pocketed ownership.

Vancouver, like Montréal, is projected to see a population increase of over 1 million over the next 25 years, and it should attract more corporate headquarters. Most of the population increase will be due to immigration, much of which will come from Asia, where the popularity of basketball has grown rapidly. Vancouver demonstrated its appetite for basketball with the Grizzlies, and that appetite should continue to grow. Although the Grizzlies left Vancouver following the 2000–01 season, the population of the Vancouver CMA at that time was barely 2 million and the Canadian dollar was sinking. Those conditions have now changed. The NBA could return to Vancouver one day and be successful there, especially if the Canadian dollar remains strong. With a population of 3.5 million in 2035, the Vancouver market will be large enough to sustain franchises in the NHL, Canadian Football League (CFL), Major League Soccer, and the NBA—but not MLB.

Football

An earlier briefing in this series identified six potential new markets for the CFL: Ottawa–Gatineau (where the league is already scheduled to return), London, Kitchener–Waterloo–Cambridge, Moncton, Halifax, and Québec City. While it may still be some time before any of these cities join the CFL, all have the required market conditions to be successful in the league within the foreseeable future.

Pushing the analysis out to 2035 adds one more market to the list of potential CFL franchises—Saskatoon. Saskatoon will witness a rise in population from 265,000 in 2010 to 430,000 in 2035, thanks largely to its ability to attract international immigrants and migrants from elsewhere in Canada. What's more, the share of the city's population aged 65 and over will be among the lowest of any Canadian urban centre in 2035. Why will people move to Saskatoon? Commodity-fuelled economic growth will be relatively strong over the next 25 years, allowing for sustained job creation and a growth in corporate head offices. Indeed, we expect that Saskatchewan will post the

fastest growth rate among Canada's provinces over the next 25 years, so the province will eventually have both the population and the incomes required to support two CFL franchises. What a rivalry Saskatoon versus Regina would be!

Given its growth rate and strong commodity-fuelled economy, Saskatchewan will eventually have the population and the incomes required to support two CFL franchises.

There is another possibility—a National Football League (NFL) team in Toronto. The ramifications, of course, would be huge. There would be direct repercussions for the CFL's Argonauts and for the entire CFL, particularly for our projected new CFL teams in Kitchener–Waterloo–Cambridge and London. And the entire GTA sports scene would be affected. With an NFL team in Toronto, would there be room for a second NHL team in the city? While no concrete plan to bring the NFL to Toronto has been announced, the possibility of that happening between now and 2035 exists.

Soccer

In recent years, another sport has emerged as a major professional team sport in North America—soccer. Canada is now home to three Major League Soccer (MLS) teams: Toronto FC, Vancouver Whitecaps, and Montréal Impact. It is no coincidence that the teams are based in Canada's three largest and most diverse cities. On May 12, 2012, the latest addition, the Montréal Impact, played at home in front of nearly 61,000 fans—a record for Canadian professional soccer. Population diversity comes into play as an important factor in the rise of soccer's popularity, since most immigrants come from countries where soccer is the traditional favourite sport.

Looking ahead, soccer will continue to grow in Canada. Given their success so far in attracting fans, and given the growing Canadian interest in and media coverage for soccer and the step-by-step growth model being used by MLS, we expect all three Canadian teams to continue as sustainable operations in the future. Moreover, Canada welcomes over 200,000 immigrants a year, a number that should grow as labour force conditions tighten due to an aging workforce, requiring employers to look outside Canada for talent. As a result, the share of the population born abroad will continue to rise, bringing more pro soccer fans to Canada.

The combination of a larger population and an expected continued rise in diversity provides the perfect mix for an expansion of Major League Soccer in Canada.

Will there be more MLS franchises in Canada by 2035? We think so. The population of Calgary is expected to surpass 2 million by 2035, and the populations of Edmonton and Ottawa are anticipated to climb to more than 1.7 million by 2035. Edmonton already has a pro soccer team in the North American Soccer League (NASL), and these three cities already have diverse populations. In the 2006 Census, for example, the share of the foreign-born population stood at 23.6 per cent in Calgary—higher than Montréal's 20.6 per cent, which itself is higher than the national average share of 19.8 per cent. (In Edmonton, that share stood at 18.5 per cent, while it was 18.1 per cent in Ottawa.) So the combination of a larger population and an expected continued rise in diversity provides the perfect mix for an expansion of MLS in Canada. Edmonton, Calgary, and Ottawa could all be home to an MLS franchise by 2035. And with populations expected to exceed 2 million in Calgary and 1.7 million in Edmonton and Ottawa, we believe these three markets will be able to support NHL, CFL, and MLS franchises by 2035.

And what about cricket? Globally, cricket is second only to soccer in popularity. Twenty20—or T20—is a new version of cricket that was introduced in 2003. A T20 game lasts about two and half hours, about the same length as games in most other popular North American team sports. And T20 is huge now in Asia, Australia, England, and the Caribbean—countries and regions that are major sources of immigration to Canada. While the creation of a North American professional cricket league may seem like a stretch today, the continued arrival of 200,000 or more immigrants per year over the next 25 years will alter Canada's demographic picture significantly—and, in all likelihood, its professional sports scene as well.

Conclusion

The professional sports scene in Canada will continue to expand over the next 25 years. The conditions for growth are right—the Canadian dollar will likely remain strong and the taxation gap with the U.S. is expected to continue to narrow. This will allow existing franchises to prosper, and offer a better chance for new franchises to succeed.

Canada could be home to 10 NHL teams, with new franchises in Québec City and Hamilton, and a second team in the Toronto CMA. If the league conditions are right and the city gets a new stadium, Montréal could once again be home to a Major League Baseball team. And with its continuing rise in population, Vancouver should be in a position to get a second chance at a National Basketball Association franchise.

As for the CFL, in Briefing 11: Fantasy Football! How Many Teams Could There Be in the Canadian Football League?, we identified six potential new markets in the foreseeable future. Looking ahead to 2035, one more market can be added to that list. Saskatoon will enjoy rapid economic and population growth and should see a rise in corporate presence, making it a suitable home for a new CFL franchise.

Major League Soccer is on the rise. Canada is now home to three MLS teams and could support as many as six by 2035—Calgary, Edmonton, and Ottawa will all be sound options for MLS over the long term.

In short, the future is bright for pro sports in Canada. Given the continuing increase in the population and a Canadian dollar that should remain strong, there is no reason to expect any of the existing Canadian franchises in any of the major pro sports leagues to move south of the border over the next 25 years. And there are many reasons why we can expect the number of Canadian-based franchises to grow.

1 While those aged 65 and older will continue to attend sports events, they are likely to do so less frequently than younger members of the population. Therefore, this demographic change must be taken into account when looking at a market's capacity to support professional sports franchises.
2 See The Conference Board of Canada, City Magnets: Benchmarking the Attractiveness of Canada's CMAs (Ottawa: The Conference Board of Canada, 2007).
3 The plan to build a new NHL-scale arena in Markham increases the potential for a second NHL franchise in the Greater Toronto Area.