

The Future of Major League Baseball in Canada

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It's been seven years since the Expos left Montréal. And it has been 18 years since the Blue Jays played in the postseason. But Canadian baseball fans still dream of better days ahead, specifically the return of the Expos. Unfortunately, there are few signs of those dreams turning into reality any time soon.

In this sixth briefing in our series, we look at the case of the Montreal Expos. In 2004, the club packed up and moved to Washington. Was the move necessary? Could the Expos one day come back to Montréal? And based on the Expos' experience, what does the future hold for the Toronto Blue Jays?

As we described in an earlier briefing in this series, there are four market pillars required for a professional team sport to be financially successful in a given market. They are:

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

The Departure of the Montreal Expos

Ah, nos amours. Andre Dawson, Tim Lincecum, The Kid (Gary Carter), le Grand Orange (Rusty Staub), Steve Rogers—just a few of our old heroes. Many Canadians, particularly in Quebec, can tell you exactly where they were on “Blue Monday”—October 19, 1981—when journeyman Dodger Rick Monday hit a solo home run in the ninth inning off Expos' ace Steve Rogers. That proved to be the winning run, as the Dodgers took the fifth and deciding game of the 1981 National League Championship series by a score of 2–1. The Expos missed the World Series by one run . . . one run.

Today's generation of sports fans may think that Montréal is not a baseball city. But Montréal was at one time very much a baseball city. In the 1980s, Montréal was attracting more fans to the city's Olympic Stadium than the Atlanta Braves were attracting to their home stadium. We all know how successful the Braves have been as a franchise since the beginning of the 1990s. The Expos could have been just as successful, if only they had gotten a little help from the Canadian dollar. So let's get one thing straight—the love for the game was there. While the Expos eventually did leave, it wasn't because the fans didn't care. Neither was it because, as our market pillars show, the city couldn't support a Major League Baseball (MLB) team.

Market Size

The Expos' problem was not the size of the team's market, just as market size is not an obstacle to MLB returning to the city in the future. The Montréal census metropolitan area is home to over 3.8 million people. In a previous briefing, we said the fan requirement for an MLB franchise is 2.5 million people. So even in a market that includes the National Hockey League's Canadiens (an NHL franchise requires a population base of 800,000) and the Canadian Football League's Alouettes (a CFL franchise requires a base of 250,000), the population is still large enough to support a major league ball club. In 2012, Montréal will add Major League Soccer (MLS) to the mix. But while the market might be a little squeezed, there is enough room for an MLB franchise to succeed—as there was before the Montreal Expos left town.

Seattle and Pro Sports Market Saturation

Seattle is a prime example of a saturated market. The West Coast U.S. city is seldom brought up when NHL expansion is being discussed because this market appears to be saturated with pro sports. (It also has no arena suitable for NHL hockey.) As of April 2009, Seattle's metropolitan area boasted a population of around 3.4 million. It

has an MLB team (fan requirement of 2.5 million based on our formula), a National Football League team (minimum fan base of 700,000), and an MLS franchise.¹ Seattle was also home to the SuperSonics (a National Basketball Association franchise, with a fan requirement of 800,000) until 2008 when the team was moved to Oklahoma City. (The move was likely a leading indicator that the pro sports market in Seattle had reached the saturation point.) The combined estimated fan base requirement for a MLB, NFL, and NBA team in one market would be 4,000,000—about 15 per cent greater than Seattle's population. Interestingly, the city's new MLS franchise (the Sounders) came to town in 2009 only after the NBA team had left Seattle. These days, Seattle is fighting to win a new NBA franchise. But given the city's pro sports history and the level of saturation that exists, Seattle would be hard-pressed to support a new NBA franchise. An NHL franchise would be even more of a stretch.

¹ The seat estimate for MLS is still to be clearly defined, since attendance for many franchises is well below stadium capacity.

Market Wealth

Our second pillar—the wealth of the market—is not an issue for Montréal either. Montréalers have an appetite for entertainment and the financial means to avail themselves of such offerings. In our second briefing, we did show that Montréal's disposable income per capita is below that of other large urban centres in Canada. But that certainly doesn't mean that Montréalers are too poor to afford a night out at the Olympic Stadium (or, better still, at a new baseball-specific venue located downtown).

Corporate Presence

Our third pillar—a strong corporate presence—is not a factor in keeping MLB from returning to Montréal. The city was home to the headquarters of 98 of Canada's 800 largest corporations in 2009 (as noted in the second briefing in this series). That puts Montréal third in this category behind only Toronto and Calgary.

A Level Playing Field

The market variable that did play a role in the departure of the Expos is our fourth pillar—a level playing field. The Expos had one of the best teams in Major League Baseball in the late 1970s and early 1980s. Unfortunately, despite all the talent on its roster, the team made it to the postseason only once. Not only did the failure to make the playoffs deny the Expos the potential glory of winning a World Series, it also cost the franchise the much-needed additional revenues that come with a postseason run. (There were no "wild cards" back then. Today, eight teams—as opposed to just four—advance to the postseason, including the top-finishing second-place team in each league. Under that system, the Expos would also have made it to the postseason in 1979, when they had the second-best record in the majors but trailed Pittsburgh in their division.)

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As the Canadian dollar started its descent in the late 1970s, the Montreal Expos' financial troubles began. As Table 1 shows, the Canadian dollar was at parity with its U.S. counterpart over much of the first decade of the Expos' existence. But then the dollar started to fall in the late 1970s, a trend that intensified in the early 1980s until the dollar reached a low of US\$0.72 in 1986.

The steady decline in the Canadian dollar brought along a significant rise in costs for the team, with the bulk of the pain coming from players' salaries. In 1986, for example, the Expos' team payroll stood at roughly US\$10 million. That worked out to nearly \$14 million in Canadian dollars. And with most of the franchise's revenues in Canadian dollars, the Expos soon saw a steady erosion in their capacity to field a strong team. At the same time, MLB player salaries were starting to increase rapidly. So the combination of rising salaries and a declining Canadian dollar made it harder for the Expos to field a competitive team. And as the Expos started to slide in the standings, attendance began to decline in tandem. While Montréalers have always loved baseball, they loved it a lot more when the Expos were winning. From 1979 to 1983, the Expos ranked second or third in their six-team division every year and were

drawing an average of more than 26,000 fans per game—beating the MLB average by about 5,000 fans per game. (See Table 1.) But as the economics of the exchange rate and rising player salaries got in the way, the team's performance on the field suffered. And as the team slipped in the standings, so too did attendance.

In the eight seasons that followed (1984 to 1991), the Expos struggled to cope with a soft Canadian dollar and a much higher tax burden than their U.S. counterparts. The best they were able to manage were some third-place finishes in their six-team division. In 1991, they finished dead last. Average attendance per game over this eight-year time frame was 18,000—a drop of 8,000 per game from the 1979–83 period. At the same time, the MLB average grew—rising to more than 24,000 per game. So the Expos, who had attracted 5,000 more fans per game than the MLB average from 1979 to 1983, were now attracting 6,000 fewer fans per game than the MLB average. By 1991, the Expos were averaging a dismal 11,540 in attendance, or almost 14,000 fewer paying fans than the MLB average.

In 1992, the Expos were on the upswing again. Between 1986 and 1991, the dollar had risen five cents to US\$0.87, giving the Expos more financial capacity to attract talent and, more importantly, to retain the young top players they had acquired through some great drafting. In both 1992 and 1993, the Expos finished second in their division—and attendance rose back above 20,000 per game (though still well below the MLB average of 27,000 per game).

And then came a year of both glory and tragedy for the Expos. In 1994, the Expos were attracting over 20,000 fans per game for a third straight year. The franchise was full of potential, able to field a team that combined rising and experienced stars—players like Pedro Martinez, Larry Walker, Moises Alou, and Cliff Floyd—and managed by the legendary Felipe Alou. In August 1994, Montréal had the best record in baseball and was headed toward the playoffs. Many pundits were picking the Expos as early World Series favourites.

In August 1994, Montréal was headed toward the playoffs. Then, on August 11, MLB players went on strike. After this, the trust between the Montréal fans and Major League Baseball was broken.

Then fate intervened. On August 11, MLB players went on strike. The strike wiped out the remainder of the 1994 season, including the postseason. Once again, the fans' hearts were broken—just as they had been in 1981 when the Expos were knocked out of the postseason by Rick Monday's home run. Even worse, the trust between the Montréal fans and Major League Baseball was broken.

Table 1
Expos' Key Variables

Season	Expos' average attendance	MLB average attendance	Difference	Expos' final divisional standing	Value of C\$ vs. US\$
1969	14,970	15,530	-559	6	0.929
1970	17,589	17,142	446	6	0.958
1971	15,938	17,824	-1,886	5	0.990
1972	14,643	16,592	-1,949	5	1.009
1973	15,393	17,156	-1,762	4	1.000
1974	12,582	17,467	-4,886	4	1.022
1975	11,213	17,079	-5,865	5	0.983
1976	7,984	17,140	-9,156	6	1.014
1977	17,701	19,620	-1,919	5	0.94
1978	17,617	20,686	-3,069	4	0.877
1979	25,953	21,788	4,164	2	0.854
1980	27,261	21,733	5,529	2	0.855
1981	28,418	19,257	9,161	2*	0.834
1982	28,621	22,127	6,494	3	0.811
1983	28,650	22,170	6,480	3	0.811
1984	19,834	21,380	-1,546	5	0.772
1985	18,549	22,934	-4,385	3	0.732
1986	13,938	22,977	-9,039	4	0.720
1987	22,844	25,447	-2,603	3	0.754
1988	18,255	25,205	-6,950	3	0.813
1989	22,019	26,053	-4,034	4	0.845
1990	16,952	25,197	-8,245	3	0.857
1991	11,540	25,408	-13,868	6	0.873
1992	20,607	24,806	-4,199	2	0.827
1993	20,265	32,561	-12,297	2	0.775
1994	22,390	32,341	-9,950	1	0.732
1995	18,189	24,911	-6,722	5	0.729
1996	19,959	26,789	-6,830	2	0.733
1997	18,489	28,118	-9,629	4	0.722
1998	11,295	29,650	-18,355	4	0.674
1999	9,540	29,388	-19,848	4	0.673
2000	11,435	30,620	-19,184	4	0.673
2001	7,935	30,634	-22,699	5	0.646
2002	10,031	28,510	-18,478	2	0.637
2003	12,662	28,072	-15,410	4	0.714
2004	9,241	31,021	-21,780	5	0.768

*In 1981, Major League Baseball was hit by a strike that lasted from June 12 to August 9. When play resumed, the owners decided it would be a split season, with the pre-strike division leaders automatically qualifying for postseason play and getting home field advantage for the first-ever divisional playoffs. The Expos finished third in their division in pre-strike play but finished first in post-strike play, earning the right to meet the Philadelphia Phillies in the divisional playoff series (which the Expos would win in five games). Sources: *Baseball Almanac*; The Bank of Canada.

When MLB returned the following spring, fans everywhere demonstrated their displeasure. Average attendance at MLB games dropped, going from more than 32,000 in 1994 to under 25,000 in 1995. Attendance at Expos games also fell. The Expos attracted an average of just 18,000 fans per game in 1995—and that was only the beginning of a long downward slide. Over the club's final seven seasons (1998 to 2004) in Montréal, the Expos' averaged barely 10,000 fans per game. Elsewhere, the fans eventually returned, with MLB as a whole attracting an average of over 30,000 per game by 2004—three times more than what the Expos managed that year. And to make matters worse, the Canadian dollar began to fall again in 1992, further aggravating the Expos' financial condition. (Add to that, questionable ownership and a disintegrating and unpopular venue . . . but we won't go there.)

With fan support dwindling and the dollar weakening, corporate appetite for sponsorship dried up. Ownership was suffering major financial losses, and it was only a matter of time before the team left town. Following the 2004 season, the franchise was moved to Washington, D.C., and renamed the "Nationals." The Expos' tri-coloured cap became a collector's item.

Could the Expos Return to Montréal? Could the Blue Jays Move South?

Should Montréal fans hold out hope that the team they once referred to as *nos amours* could one day return to their city? Even though the market pillars are in place for success in Montréal, we don't think the Expos will return any time soon. There is one major factor working against a return to Montréal—the lack of a level playing field among franchises.¹ While the Canadian dollar might be at parity, it would be tough to find an individual or corporation willing to bring an MLB team back to Montréal knowing that the club would struggle to be competitive. At best, a new franchise in Montréal could only afford a payroll similar to that of the Toronto Blue Jays (\$62.3 million in 2010), which would leave the team in the bottom third of the payroll rankings—and likely near the bottom of the standings for many seasons. Moreover, a new stadium would probably be required to make baseball work again in Montréal. That would require a huge investment in a team with little near-term hope of success in the standings. Unless an owner with extremely deep pockets and a willingness to lose money shows up, baseball won't be returning to Canada's second-largest city any time soon.

What about Toronto? Is the city in danger of losing the Blue Jays to relocation? We don't think so. The situation in Toronto is different from Montréal. The franchise can look forward to reasonably healthy revenues over the coming years, and a quality stadium is already in place. With the Canadian dollar now at parity and expected by The Conference Board of Canada to stay that way for the foreseeable future, we believe Toronto fans can rest easy for the foreseeable future—at least from an economic standpoint. Moreover, there is significant cross-ownership linking the Blue Jays franchise, the stadium, and a cable broadcaster, which aligns and strengthens the revenue flow for all three entities.

Montréal today has the necessary market conditions to be home to an MLB franchise, but the competitive conditions in the MLB make it non-appealing to most potential investors.

However, because MLB does not have a hard salary cap, the Blue Jays can't compete with the powerhouse franchises when it comes to payroll. Superior management and talent selection will be the only way for the team to make the playoffs, let alone win another World Series. Toronto has the added misfortune of playing in the same division as the two richest teams in baseball—the New York Yankees and the Boston Red Sox. After a "successful" 2010 season (22nd in payroll but 13th in wins), hopes were high for 2011. And as of this writing, making the playoffs is still at least a mathematical possibility for the Blue Jays this season. But with the playing field tilted significantly against their franchise, Blue Jay fans should not be surprised if their team winds up competing for third place year after year.

Conclusion

Montréal today has the necessary market conditions in place to be home to an MLB franchise. The city is large and wealthy enough, has a healthy corporate presence, and the strong Canadian dollar is a key factor in its favour. But among the major professional leagues, MLB has the least-level playing field—and that (along with the lack of a quality baseball facility) makes Montréal unappealing to most potential owners as a site for an MLB franchise. Still,

we are not closing the door entirely to the possibility of MLB returning to the city. If a media conglomerate were to bring a team to Montréal, the synergy could work. With a regular season schedule of 162 games, a team in Montréal would provide great TV and radio content. The number of sports specialty channels continues to rise, and along with them the demand for content. An MLB team in Montréal would be highly appealing for the right media group. Such a group could be a competitor to Rogers, which owns the Toronto Blue Jays.

The Blue Jays are a different case. While the team cannot hope to compete on payroll with the top-spending teams, the franchise does have healthy and stable revenues. The team also has a quality facility and makes money for its corporate owner. Unfortunately, while Blue Jays fans would love to see their team in a postseason game in Toronto, the likelihood of that happening in the near future remains an open question.