



Despite Canadian billionaire Jim Balsillie's recent failed attempt to buy the Phoenix Coyotes and re-locate the franchise to Hamilton ON., there is plenty of activity and conjecture which suggests that Canada could yet be home to one or more struggling presently US based franchises. At the same time, a number of struggling franchises in the "Sun Belt", combined with a strong Canadian dollar and an abundance of available infrastructure dollars for new arenas make re-location(s) a realistic possibility. And does the willingness of Canadian politicians to commit to "public investment" in support of NHL franchises mark a change from previous eras when such proposals were met with a populist backlash against "corporate welfare"? If the "Sun Belt" implodes, will it cost Commissioner Gary Bettman his job?

Earlier this month while in Toronto, NHL deputy commissioner [Bill Daly told the local sports media](#) that the NHL has no objection to a second franchise in the GTA. During the same discussion, Toronto Maple Leafs president and general manager Brian Burke said that under the right circumstances, Maple Leafs Sports and Entertainment (MLSE, the Leafs owner) would not oppose the NHL locating a second franchise in "their" market.

*"I don't think it's a point of contention even with the Leafs," Daly said. "I can see a situation where by adding a franchise to a market, you can raise the tide for all boats. I don't think that because you put a franchise here, it necessarily makes the Leafs any less successful. And, in fact, it could create new revenue opportunities."*

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Written by Pete Toms

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*Brian Burke, the Maple Leafs president and general manager, said the club has never officially opposed the idea of another franchise in its territory. Burke said if a study proved a second team would be beneficial to the Leafs and the NHL, the Leafs would not be opposed. Richard Peddie, president of the Leafs' parent company, Maple Leaf Sports and Entertainment, has also said this.*

The GTA is the most bountiful professional hockey market in North America (**see recent [Forbes NHL valuations](#)**

) and nobody doubts that a second NHL franchise would be enthusiastically supported.

However, the devil is always in the details and much would need to be resolved before a second franchise in the GTA becomes a reality. Whether or not the Leafs and maybe the Sabres (depending upon how close to Buffalo a second franchise would be) are entitled to "territorial indemnification" and what the value of that is, is somewhat a guessing game. And whether or not the Leafs and Sabres have a veto preventing a franchise from entering their market is another guessing game. In his aforementioned remarks to the Toronto sports media Mr. Daly remarked on the speculation surrounding a Leafs "veto", "

*They can be dead set against it, but that doesn't mean they can stop the league from putting a franchise here if the league thinks a franchise here makes sense."*

Mr. Daly's remarks will do little to quell the speculation and uncertainty over the "veto". During the bankruptcy auction of the Coyotes, Mr. Balsille's lawyers presented a letter from the Leafs to the NHL stating that they (the Leafs) had a "veto". There has also been much conjecture over the interpretation of the NHL constitution as it relates to franchise re-location. Some believe that franchise re-location requires a unanimous vote amongst owners - a de facto veto for the Leafs - while the league claims (at least publicly) that a simple majority vote is sufficient.

Ultimately these negotiations are solely about money, the details and legalities of the league constitution and territorial indemnification will be irrelevant if a deal can be brokered. (I.E. Leafs and/or Sabres satisfactorily compensated) A more fundamental concern to any owner wanting to bring a second team to the GTA is finding or constructing a suitable arena. Could MLSE (also owners of the Air Canada Centre arena) be landlord to a second NHL franchise or is it a necessity that a second franchise control "their" arena? Is a second NHL calibre arena in the GTA a realistic proposition (land acquisition, construction costs, zoning, transportation infrastructure, politics, public investment)? Mr. Balsille's plan was to move the Coyotes in to Copps Coliseum in Hamilton. (capacity approx 19,000) In Mr. Daly's recent remarks in Toronto, he was cynical about the viability of an NHL franchise operating out of "Copps", "*....Copps Coliseum doesn't provide modern-day NHL economics."*

Mr. Balsille recognized that Copps Coliseum required significant investment in order for it to generate the revenue necessary to sustain an NHL franchise. While Mr. Daly questioned where

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that investment would come from, local, provincial and federal politicians all eagerly pledged their support for Mr. Balsille's plans to upgrade "Copps". And upgrading "Copps" is a much less costly option than constructing a new arena. If the NHL is opposed to re-locating a franchise to Hamilton, it could be a result of wanting to protect the Buffalo market (vastly more vulnerable than the Leafs) or a vindictive response to local Hamilton officials unbridled and public support for Mr. Balsille's

["Make it Seven"](#)  
campaign.

Select [Read More](#) to see the rest of "Relocating NHL Franchises to Canada" by Pete Toms

Speculation surrounding the re-location of NHL franchises to Canada is not limited to the GTA. October and November have seen a spate of media reports that the world's 24<sup>th</sup> wealthiest person (according to Forbes), Canadian

[David Thomson](#)

, is interested in returning the NHL to Winnipeg. If media reports are accurate, Mr. Thomson owns an interest in True North Sports and Entertainment (how large is not known, but again reports speculate that he is in control) which in turn owns the

[MTS Centre](#)

in Winnipeg. The MTS arena opened in 2004 and has a hockey capacity of approximately 15,000. (Currently it is home to an AHL franchise)

[Reports in October](#)

indicated that Mr. Thomson expressed an interest in purchasing the Atlanta Flames with the intent of re-locating the franchise to Winnipeg.

October also saw reports concerning the return of the NHL to Quebec City. Speculation was ignited by a much publicized [meeting last month](#) in New York City attended by Quebec City mayor Régis Labeaume, former Quebec Nordiques owner Marcel Aubut and NHL commissioner Gary Bettman. Later in the month, Mr. Labeaume announced plans (during his successful bid for re-election) for a new [\\$400](#)

[million, 18,000 seat arena](#)

in Quebec City. The mayor stated that he would request \$150 million of infrastructure money from both the federal and provincial governments for the project. A new arena is not only essential for a return of the NHL to Quebec City but could also bolster a

[rumoured bid to host the 2022 or 2026 Winter Olympics](#)

. (Quebec City has failed in earlier attempts to attract the 2002 and 2010 games) Montreal based communications and media conglomerate

[Quebecor Inc](#)

. is rumoured to be keenly interested in owning a Quebec City based NHL franchise. Quebecor

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recently failed in its attempt to purchase the Montreal Canadiens but was a serious bidder, certainly nobody doubts the company's financial wherewithal to purchase and operate a franchise.

The potential for franchise re-location to Canada also stems from the uncertainty surrounding the future of several US based franchises, most in the "Sun Belt". The situation is most dire in Phoenix, where the league owns the franchise. The NHL desperately needs to find a buyer for the franchise but those efforts are greatly constrained by the franchise's lease agreement with the city of Glendale. A franchise re-location would result in onerous penalties imposed by the city for breaking the lease. Continuing to operate the franchise in Phoenix would require negotiating greatly more favourable terms for the hockey team, (according to reports, perhaps as much as \$23 million per year) obviously an extremely difficult proposition politically. In addition, NY Islanders owner Charles Wang is making thinly veiled threats about re-locating should his "Lighthouse Project" not be green lighted by the Town of Hempstead, the Columbus Blue Jackets are asking their landlord for a more favourable lease (again), Dallas Stars owner Tom Hicks has well publicized debt servicing problems, the Nashville Predators ownership situation is muddled by the fraud conviction of former minority partner "Boots" Del Biaggio, the ownership groups of both Florida franchises have been in a flux and the ownership of the Atlanta Thrashers has been paralyzed for years over a legal battle between the "Atlanta Spirit" partners. The aforementioned recent Forbes valuations of NHL franchises ranked (in descending order) Columbus, Florida, Nashville, Atlanta and Phoenix as the bottom six in the league.

At the same time as the NHL is in need of new ownership, perhaps in "new" markets (Winnipeg and Quebec City are not categorically "new" being former NHL cities), Canadian cities are maybe better positioned to support NHL franchises than in previous eras. When the Quebec City and Winnipeg franchises were sold and re-located to the US in the mid 1990s the Canadian dollar was valued in the [low \\$US0.70 range](#) . In recent months the Canadian dollar has soared in value to [over \\$US 0.90](#) , a major boost to Canadian based franchises in the "stick and ball" leagues. Last month [Frank Pingué](#) reported for Reuters:

*The biggest single expense for Canadian sports teams -- salaries -- is priced in U.S. dollars, while revenues are mostly in Canadian dollars.*

AND

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*Of the major North American sports leagues, experts agree the NHL, with the biggest Canadian presence, would be the main beneficiary of a rallying Canadian dollar as Canadian broadcast and sponsorship deals generate high U.S. dollar returns.*

*The currency's surge could also help hockey-starved Canadian cities looking to land an NHL franchise, as smaller markets become more viable and relocation fees more manageable.*

Mr. Pingue's report also cautions against Canadian franchises making long term commitments

based on the currently robust "loonie":

*This is not the first time a rallying Canadian dollar has raised hopes for professional sports teams. In 2007, the loonie rose above the greenback for the first time since 1976 and held near parity for about 10 months before eventually falling to a four-year low.*

Along with the enormous advantages that a strong Canadian dollar brings to any prospective owner wanting to re-locate a franchise to Canada, public investment for new arenas/arena upgrades will likely never be more accessible than at present. In response to the recession, the federal and provincial governments are investing billions of dollars in infrastructure projects. Public money has either already been committed to, or is likely to be committed to, sports stadiums/arenas across the country. Hamilton, Winnipeg, Edmonton (if you consider gaming profits and tax increment financing public money), Regina and Quebec City are all in varying stages of plans to renovate or construct new football stadiums/hockey arenas that will receive public dollars. Canadian politicians are eager to be associated with supporting more NHL franchises in Canada. [Prime Minister Stephen Harper](#) was quoted last month, "Of course, as a big hockey fan, I would certainly like to see more teams created here in Canada," .... "I think the

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*cities of Quebec, Hamilton and Winnipeg are all able to support a team,”*

The ruling Conservative Party of Canada recently and unexpectedly won a federal by-election in the Quebec City region, a seat held previously by the Bloc Quebecois. While political pundits attributed the victory to several factors, Prime Minister Harper certainly did his cause no harm by expressing his government's support for the return of the NHL to Quebec City.

[David Asper](#)

wrote in The National Post subsequent to the surprise by-election victory:

*Consider the linkage between two recent news items flowing out of the Quebec City mayoralty race. During that campaign, the eventual winner Régis Labeaume talked openly about constructing a new NHL-sized hockey rink and working to bring a team back to Quebec City. It then emerged that the provincial government was going to undertake a feasibility study to determine whether the city should launch a bid for the Olympic Games. A new arena would be part of such a plan.*

*When the federal government undoubtedly jumps on this bandwagon, voters in the Quebec City region will get stars in their eyes about all of the world attention, and fancy new things that will be built in and around the city.*

*The Nordiques will return to the best hockey facility to be built in Canada, and perhaps all of North America. Mont Sainte-Anne will be enhanced beyond anyone's wildest dreams to further establish the Quebec capital region as a skiing and tourist destination alongside Mont Tremblant. Add to the mix an athlete village, indoor speed skating oval and the usual amenities that will all theoretically rise as part of a rebirth of Quebec City — and you've got an electoral slam dunk for the Tories.*

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Earlier this year when the Montreal Canadiens franchise was in the process of being sold (eventually to the [Molson family](#) of Montreal), Quebec Premier [Jean Charest](#) was quick to publicly express his government's support of Quebec based bidders and eventually his government loaned the new owners \$75 million to “

[facilitate the transaction](#)

“.

[Solidarity Fund QFL](#)

, a giant Quebec union investment fund is also part of the Molson led ownership group.

Jim Balsillie's aforementioned “[Make it Seven](#)” campaign exploited the nationalist sentiments associated with hockey in Canada. While “Make it Seven” did nothing to further Mr. Balsillie's goal of acquiring and re-locating the Coyotes, it was unquestionably widely and enthusiastically embraced by fans, non fans, corporations, media and politicians in English Canada. (ie outside Quebec) At the same time, politicians in Ottawa (Prime Minister), Quebec City (Mayor, Premier), Hamilton (Mayor, councillors) and Toronto (Premier) have been tripping over one another this year to articulate their governments support for the “return” of NHL franchises. This populist movement is a stark contrast to the reaction which met the, then Liberal Party of Canada's, Federal Government announcement in January of 2000 that the 6 Canadian NHL franchises would receive a collective annual cash subsidy of \$20 million. The government's proposal was in reaction to the Canadian franchises (excepting Toronto) fears that they were in danger of folding or re-locating to US markets. The reaction from the public and the media was extremely negative, vocal and swift. The proposed government support for NHL franchises was perceived by Canadians as “corporate welfare”, “handouts for millionaires”. Within days of the announcement, then federal industry minister John Manley was forced to abruptly withdraw the offer. Then Senators owner Rod Bryden, who had deep ties to the federal government of that era, led the campaign to acquire public assistance and three years later his hockey franchise filed for bankruptcy protection. (Principally due to inability to service arena construction debt) In 2001, American George Gillett purchased the iconic Montreal Canadiens franchise when no Canadian groups stepped forward. Not coincidentally, the struggles of the Canadian franchises during the early part of this decade coincided with the “loonie” falling below \$US0.70. During the final years of the Quebec Nordiques in the mid 90s they negotiated unsuccessfully with the, then Parti Quebecois provincial government, for a new arena. Quebec Premier Jacques Parizeau and his supporters had no sympathy for the Nordiques owners, believing that they were more motivated to sell the franchise to Denver based owners for an approximately \$100 million profit, than sustaining the franchise in Quebec City. In fairness, the Winnipeg Jets final years was an exception. Both the municipal government of Winnipeg and the Manitoba provincial government pledged support to the Jets but local ownership concluded that Winnipeg was not a viable NHL market and sold it to Phoenix businessmen. (There are also claims that Commissioner Bettman worked against the Jets by forbidding ownership of the franchise by a coalition of local businessman, ruling that “group ownership” was against league ownership rules.)



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It is a delicious irony for many Canadians that the Winnipeg franchise which was re-located to Phoenix in the mid 90s “Sun Belt” expansion filed for bankruptcy and is now operated by the league. It is practically unanimous amongst Canadians that NHL Commissioner Gary Bettman is steadfastly opposed to re-locating franchises in Canada, solely because he is anti-Canadian. The importance of “single entity” status, which is about the legality of professional sports leagues right to decide where their franchises are located and who owns them, is irrelevant in the Canadian “Make it Seven” morality play. Mr. Bettman is perceived in Canada as the villain who stole hockey away from folk hero Jim Balsillie and the citizens of Hamilton in spite of the overwhelming evidence that there is no future for the NHL in the American desert. In a recent interview with Canadian weekly news magazine [Macleans](#), Mr. Bettman was asked in part if, “... *the real reason the NHL was in court this summer was to keep Canada from getting more teams.*”

Whether or not there was an NHL “Sun Belt” strategy depends on who(m) you believe. If there was a “Sun Belt” strategy, it is perhaps one that Mr. Bettman inherited from his predecessor John Ziegler. During the final years of Mr. Ziegler’s reign as NHL Commissioner in the early 90s, the NHL opened up shop in San Jose, Tampa Bay, Anaheim and Florida. The trend continued under Mr. Bettman with the NHL entering Colorado, Phoenix, Carolina, Nashville, Atlanta (also an NHL city during the 70s) and Columbus. The league’s hopes of “Sun Belt” success in the early 90s were also bolstered by trade of “The Great One” Wayne Gretzky to the Los Angeles Kings in 1988. The arrival of Gretzky in Los Angeles provided an enormous, but temporary, boost to the popularity of the NHL in the southern “non traditional” hockey markets. Those who believe that there was a specific “Sun Belt” strategy argue that the NHL believed it would lead to greater national TV and sponsorship revenues. In a recent report in [The Sports Business Journal](#), Mr. Ziegler recently stated that there was no “Sun Belt” plan per se:

*The first thing to understand about the so-called Sun Belt strategy of expansion is that it never existed. According to NHL officials, it is a misnomer.*

*In 1987, then-NHL President John Ziegler formed a strategic planning committee of six NHL owners chaired by Chicago Blackhawks owner Bill Wirtz. He also hired a Princeton, N.J.-based consultancy to assist in an analysis of the league’s business.*



*"We went back and examined our whole business situation," Ziegler said. "What we are, what we stood for, what we did, what we did best. Quite legitimately, the question was asked — what should we do?"*

*The answer to that question formed the foundation of a planning document called "Vision for the '90s." The report called for the league to expand to 30 teams by the end of the decade, but did not outline where the NHL should expand. Its only direction was to expand to strong urban areas that were willing to build new arenas, Ziegler said.*

And governments across the "Sun Belt" did build those arenas to attract professional sports franchises. At the same time Quebec City and Winnipeg were failing to get new buildings and the Ottawa Senators could not even succeed in persuading the, then New Democratic Party's, Ontario provincial government to pay for a highway interchange necessary to access their new and privately financed arena (then known as The Palladium). During the 1990s the Montreal Canadiens, Toronto Maple Leafs and Vancouver Canucks also opened new privately financed arenas.

Justifiably or not, Canadian hockey fans may soon see their wishes fulfilled. The success or failure of Commissioner Bettman's "Sun Belt" strategy may very soon become a referendum amongst the NHL owners on his ability to lead their league. The annual board of governors meeting (ie owners meeting) is scheduled for December 15. The dominant and perhaps only issue will be the floundering "Sun Belt" franchises and most urgently the Coyotes . While the owners and commissioners across all the "stick and ball" leagues were beyond delighted that Mr. Bettman succeeded in preventing Mr. Balsille from purchasing and moving the franchise without the league's permission, it doesn't mean that the NHL owners are happy that a franchise imploded under Mr. Bettman's watch. [Paul Waldie](#) of the Globe and Mail reported this week that the Coyotes could well lose \$50 million this season. David Shoalts reported earlier in the week that the cost to the league of buying the Coyotes out of bankruptcy is roughly \$200 million (\$140 million for the franchise plus legal expenses). If Mr. Bettman does not find a new owner SOON, and one who will repay the \$140 million purchase price or close to it, he could well face a mutiny. Is the situation so desperate that Mr. Bettman may yet be forced to accept Jim Balsillie into the ownership ranks of the NHL? Even before his failed attempt to purchase the Coyotes Mr. Balsillie had alienated many NHL owners. During previous negotiations to purchase the Pittsburgh Penguins and Nashville Predators, Mr. Balsillie angered

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many by making plans for re-location (in one instance, even accepting deposits for a Hamilton based franchise) before the deals were finalized. He also angered former Montreal Canadiens owner George Gillett by leaking to the Montreal media that the franchise was up for sale. Yet, this week saw an NHL owner publicly lobbying for Mr. Balsillie. From

[David Shoalts](#)

:

*Bettman already took a shot across the bow this week from Kevin Compton, a Silicon Valley venture capitalist and co-owner of the San Jose Sharks. Compton told the Sports Business Daily the whole Coyotes saga was "a joke" and the league needs Balsillie as an owner.*

*"Jim loves hockey," Compton said. "Jim's got a lot of money. Jim's got a lot of passion." Compton also said he is certain Balsillie will become an NHL owner some day. When it was pointed out the league is keeping Balsillie out, Compton shot back that "owners aren't."*

If the issues discussed above can be resolved, re-locating a struggling US based franchise to southern Ontario Canada is likely inevitable. A second team in that market would probably be a "revenue payor" and replace a "revenue payee" in the league's revenue sharing structure. Further re-locations to smaller Canadian markets is much less appealing to the NHL. Some have speculated that the NHL is courting Quebec City and Winnipeg solely to "bid up" interest in franchises that are for sale. Perhaps the NHL has never been keen on these markets. In fact, Quebec City and Winnipeg only became NHL cities as a result of the merger with the WHA in 1979. US based NHL owners have traditionally not seen a lot of value in having these "smaller" Canadian cities as part of their league. These same owners aren't excited by the prospects of having a Hamilton or Winnipeg team visit their arenas, believing that many of their fans have little to no awareness of these cities. At the same time, the addition of these markets to the league add zero value to US TV broadcast rights. But in the short term there may be no better option. If the Canadian dollar is strong, these smaller Canadian cities could well be better partners than the worst of the "Sun Belt" franchises.

There is a lot that is positive about the business of today's NHL. The "Winter Classic" is a huge success and a signature event for the league. TV ratings on VERSUS this season are up significantly. This on the heels of improved ratings for last season's playoffs on NBC and VERSUS. The league's digital initiatives are innovative, successful and growing. They have

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added several major sponsors the last year despite the recession. Franchises in major markets Chicago and Boston are rejuvenated. The six Canadian franchises are more robust than ever, due in great part to the strong “loonie”. Superstars Sidney Crosby and Alex Ovechkin are young, exciting and marketable. Despite all that, unless there is a quick and drastic turnaround in the “Sun Belt”, Commissioner Bettman may be forced out. Nothing would make Canadians happier, especially if it also “makes it seven” (or eight or nine).

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