

Montreal: To Move, To Keep, or Not To Keep?

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Baseball is America's pastime and it's loved by children and adults alike. Almost every major city in the US has a Major League baseball team. This multi-billion dollar industry creeps into our homes through TV, radio, merchandise, games and many other ways. Everyone knows that baseball players make a lot of money but where does it come from? Who manages all this money? Well although it may seem the Major League teams are money generating machines, there are some that are not. Baseball is subject to the same rules of supply and demand as any other industry. Currently there are only 11 out of 18 profitable teams in the league. The unprofitable teams are beginning to have a negative affect on the profitable ones. If a team does not cover their costs then something has to happen. The particular team in question is the Montreal Expos. The Expos have been having revenue problems for years. They experienced losses of \$38 million last year alone and have no signs of recovery in the future. It's now time to ask the question, what's the next step? First you could simply shut down the organization. The assets of the team could be sold and spread across the league. This would lead to greater losses to the investors. Another option is to relocate. The team

could simply move to another city that currently doesn't have a baseball team. This would open up a new market and possibly help investors with their debt problems. Whatever the case may be, something has to be done. A business in any industry can not continually sustain losses.

Why should the Montreal Expos move to the Washington D.C. area?

a. What is wrong with the Montreal area?

- a. The Montreal Expos have the worst attendance in the league at 10,025.
- b. The Sky Dome is very outdated by league standards and the city is unwilling to pay for upgrades or build a new stadium.
- c. The Expos have an operating deficit and other teams are obligated to help cover the losses by the Expos (about \$500,000 per team).

b. Why is Washington D.C. a good place for the team?

- a. Washington has been without a team since the Senators moved to Dallas and became the Texas Rangers. So the city is craving the return of Major League Baseball.

- b. Washington D.C. is the largest city in the U.S. without a professional baseball team.

- c. There are many potential investors interested in the possibility of owning a baseball franchise. Potential investors are a very essential part of moving a professional sports franchise to a city. Without investors, there would no money to market the team to the city.
 - i. The Virginia Baseball Club led by the telecommunication executive, William Collins III.
 - ii. The Washington Baseball Club led by the managing general partner, Fred Malek.
 - iii. The partnership between the founder of the Black Entertainment Television network, Robert L. Johnson and the owner of the Washington Redskins, Daniel Snyder.

- d. The potential site for the team stadium to be built or a current stadium is very important also.
 - i. The RFK Memorial Stadium could be ready for play as soon as 2003.

- ii. An area east of Mount Vernon Square.
- iii. An area north of Union Station
- iv. An area west of Union Station
- v. A site on the Anacostia River waterfront
near the Washington Naval Yard

e. The stadium will need corporate back for the cost of renovation or the cost of building a new stadium. The Washington D.C. area has two businesses that would be willing to buy the naming rights to the stadium. The proceeds from naming rights would help to pay for the expenses of the venue.

- i. Home Depot, who is the main sponsor of the Tony Stewart Racing Team on the NASCAR circuit.
- ii. Target, who owns the naming rights to the Target Center in Minneapolis, Minnesota where the Minnesota Timberwolves play basketball in.
- iii. Both were parts in the building of the MCI Center where the Washington Wizards play.

**What is stopping a MLB baseball team from be
located in Washington D.C.?**

f. The owner of the Baltimore Orioles, Peter Angelo is a very loud opponent of a team in the Capitol. He is a member of the MLB's negotiating team. He is an influential owner in the league. Moving a team requires a 3/4 vote by the owners, this might cause a problem for moving the team even though, Robert DuPuy, baseball's president and chief operating officer says, "I think it is inevitable there will be a team in D.C."

g. Peter Angelo argues that a team in Washington D.C. will negatively affect his team financially. He says that this would result in two mediocre teams that would not be able to compete with the large market team like the New York Yankees or the Atlanta Braves.

h. The bad reputation of the D.C. area is known around the league. It has the legacy of a failed baseball franchise (the Washington Senators).

The D.C. area is also known for its high murder rate, drug arrest, and other crimes.

Should Major League Baseball consider completely doing away with the franchise?

I. Why does Montreal seem to be a key franchise set for contraction?

- a. Bud Selig, commissioner of MLB, ran a list of 4 teams that would be key teams in terms of contraction (Montreal, Minnesota, Tampa Bay, and Florida).
- b. Minnesota made it to the American League Championship Series this year, so one can only imagine the conflict that would arise if owners started mentioning Minnesota as a team for contraction.
- c. Florida has actually won a World Series more recently than the rest of the teams, so with this concept there conflict arises for the owners.
- d. Montreal's biggest challenge may merely come from convincing a game that is referred to as "America's Pastime" that they should do away with an American team and keep a Canadian team.

American pride is on an especially high level with potential war looming in the near future.

II. What moral responsibility does MLB have to the city of Montreal?

- a. Anytime anyone looks at removing a business, they must look at their responsibilities in terms of what they owe the community or their employees.
- b. Some things MLB should consider:
 - i. Montreal is the second largest city in Canada with a population of approximately 3.3 million.
 - ii. The City of Montreal owns Olympic Stadium, where the Expos play and it has cost the city over \$1 billion.
 - iii. Olympic Stadium was initially built for the actual Olympics.
 - iv. Olympic Stadium's initial design included a retractable roof that has not worked properly and was eventually converted to be permanently closed.

c. It is important that no matter what his stance is, Bud Selig must make it clear that he is not "gaining" from the decision. His ownership of the Brewers makes it easy to question whether or not he is bias in these disputes.

III. What will happen to the players from the Expos?

a. The Expos have several all star players on their team, of which Vladimir Guerrero may be one of the very best all around players in the league. MLB has a moral responsibility to think about the lives of the players on the Expos team. Players are traded all the time, and it's predicable that the good players from the Expos would get picked up by other teams in the league. However, those that get picked up may take salary reductions due to a lack of funds at other franchises. The players that it would hurt the most would be those that are not the stars. They would struggle to find jobs in Major League Baseball.

b. George Steinbrenner, the owner of the New York Yankees hasn't won a World Series in two years, and many analysts think that he will be prepared

to make a move in the off-season to acquire the personnel to win another World Series. This makes one question whether or not the players should just openly be available to any team in the league that's interested at all in these players.

- c.** Then the league also must take into consideration the players that are not superstars that will then become unemployed or get filtered back down into the minor leagues of some other team in the league. This has its own set of moral questions in terms of what is fair to these guys and what makes financial sense for MLB.

Conclusion: With Bud Selig, commissioner of MLB, saying that it is possible that two major league teams might get cut, it seems clear that contracting somewhere in the league will probably happen. Contraction makes sense financially, but also involves many lives. The city of Montreal has not really busted a gut to make the Expos have major reason to stay in town. Baseball is, after all, mostly an American and South American sport. In terms of players, the league cares, but downsizing is actually a pretty common practice in the economy as we see it. It is definitely a last resort, however. It is also quite clear by the evidence shown that the Expos could consider moving to a new market. The most viable market seems to be D.C. Here the Expos could start over and hopefully rebuild a winning, profitable franchise that would have long run positive affects on the city and its inhabitants. Major League Baseball is subject to the same economic laws as any other industry. The leagues market is currently downsizing like many other industries during a rescission. Failing teams either need to exit or enlarge their market. Clearly some change must come about. The team can not operate under profit losses forever. Moving to D.C is a chance to start over and build from the ground up. This strategy allows for the best long run results.

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