

Feast for the few or food for the many? How to save European football

by **Richard Corbett MEP**

There is a growing concentration of wealth and success in football that can only be detrimental to the long term interests of the sport. It limits top-level competition to an oligopoly, which is in the long run detrimental to both the sporting and the commercial sides of the game, diminishing the competitive balance and therefore spectator interest (and especially television spectator interest, which generates an increasing share of the game's income) in all but the top matches.

Concentration of success...

The idea that any club can rise from lower leagues to the top level is still alive: witness, for instance, the recent rise of Villarreal, Chievo, Wigan, Thun and Zulte-Waregem. However, it is endangered at the highest level by the growing concentration of wealth and success among a small number of clubs who are, in practice, becoming detached from the rest of the pyramid.

Most of our national leagues are dominated by an oligopoly of two, three or four clubs who alone have a real chance of winning their league title. The same clubs tend to finish in the top places every season. Furthermore, this trend is growing over time.

Thus, in **England**, while the first 10 seasons after the war (1947-1956) saw seven different teams become national league champion, the following 10 (1957-1966) also seven, and the next 10 (1967-1976) six, by contrast the last ten have only seen three teams win: Man U, Arsenal and Chelsea (and the same three winning all but one FA Cup in the same period)

In **Italy**, a duopoly of Milan and Juventus has won the Serie A for the last 15 years, apart from one win each for the two Rome clubs (compared to seven different teams in the previous 15 years)

In **Spain**, and also in **Belgium**, just two clubs have won every league title for the last 20 years, with only four exceptions in both cases, (compared to nine teams in **Spain** in the previous 20 years, and eight teams in **Belgium** in the previous 20 years)

In **France**, we are about to witness the same team win the league for the fifth successive year: something that never previously occurred in their history. In the previous 10 years a single club didn't hold the title for more than a year.

In **Germany**, even though there is quite a good variety, one team has won a majority of league titles over the past 35 years

In **Netherlands**, just three teams have won every league title for the last 40 years, with only one exception (in contrast to the first twenty years after the war when no fewer than 12 different teams were national champion).

In **Scotland**, just two clubs have won every league title for the last 50 years, with only 8 exceptions - the last of which was 20 years ago.

In **Portugal**, just three clubs have won every league title for the last 50 years, with one exception.

In the **Czech Republic**, just one team has won 10 of the last 13 league championships.

In **Latvia**, one team has won the league every year except one since its re-creation in 1991-2.

In **Romania**, just three clubs (all from Bucharest) have won every league title except one for the last 24 years (compared to six clubs in the first twelve years after the war)

In **Norway** one team has won the league every year for the past 15 years with just two exceptions (compared with 12 exceptions in the previous 15 years).

It is not just within leagues that there is this phenomenon of concentration, but **between** national leagues as well. Thus, the European Cup/Champions League has been won only once in the past ten years by a team from outside the “big four” national leagues (England, Spain, Italy and Germany), compared to six times in the previous ten years. In the whole 50-year history of this tournament, there have been 46 finalists from outside the “big four” – but only three in the last 10 years (11 years by the end of this season). The “big four” accounted for 58% of Champions League semi-finalists from 1994-99 but this rose to 89% from 2000-2006.

And within the “big four” countries and elsewhere, the gap between the top division and the next league/division has also increased, making it more difficult for newly promoted clubs to compete and remain in the top flight. Some teams “yo-yo” between the top two divisions – too strong for one, too weak for the other (e.g. Sunderland has been promoted three times to, and relegated three times from, the English Premier League over the last ten years).

...related to the concentration of wealth

Revenue in European football has grown phenomenally (quadrupling over the last 10 years, though recently at a lower rate), but in a highly concentrated manner. Here too, the phenomenon is both within leagues and between them.

Within, for instance, the Italian Serie A, just five clubs account for around 70% of the League’s income of over €1bn, with just two - Juventus and AC Milan – taking 35%. Similarly, within the Spanish Primera Liga, the top five account for 60% and the top two 35%. In England, the top five account for only around half, but the gap between them and the rest is none the less significant. And such gaps, even where they stay the same in terms of percentage of revenue, are growing in absolute terms as revenues increase.

Between Leagues, the contrasts are equally striking. Well over half (€ 5.8billion out of about €11billion) of all football revenues accrue to the “big five” (the big four plus France). Top among them is the English Premier League (€2billion) - and its lead has been growing - followed by the Italian Serie A (nearly €1.2billion), Germany (€1billion), Spain (€953million) and France (€655million). Next is the English second tier league (now known confusingly as the “Championship”) on €428million. No other national league comes anywhere near the top five. Indeed, the second tier leagues/divisions of the top five countries earn more than all the other top tier leagues in Europe added together. And not surprisingly, 18 of the richest 20 clubs in Europe (indeed the world) now come from the “Big Four”.

All this is notably the result of the growth of televised football focusing on top teams, of the growth of sponsoring and merchandising opportunities and especially of the “jackpot” effect of qualifying for European competitions.

The levels of **television revenue** vary considerably both between and within leagues. While broadcasting revenues are now the main source of income in four of the five biggest leagues, smaller countries simply don't have the market size. Nor do they have much chance of selling their rights across the world, as some of the larger leagues do. Within leagues, there is also variation, especially in those leagues which allow individual clubs to market their own TV rights, such as Italy and Spain, where the difference in broadcasting revenue levels between the top few teams and other clubs in the same league are dramatic.

The biggest factor, however, is **regular qualification for the Champions League**, which gives such clubs a double income the next season, strengthening their domination still further. Over € 400 million each year are distributed among the 32 clubs participating in the Champions League. Each one of the eight clubs reaching the quarter finals can expect to gain € 20 million and the overall winner up to € 30 million. Such gains are, of course, additional to the revenues gained from their own national league – and they are the only clubs in their national league to gain this extra income. It is this factor, more than any other, that has led to the emergence of an elite group of clubs within most national leagues.

...also creating dangerous instability

The “jackpot” effect is a well known economic model where the rewards system is such as to entice participants to “gamble upon success” in a rat-race to the top – but with the cost of failure also immense.

In professional football, clubs are inevitably tempted to spend beyond their means on players, knowing that if they are successful, the money spent will be more than adequately covered, but with the high risk that if they fail they will descend into a spiral of debt. Each one spends more than it should, because their rivals are spending that much too - a sort of "arms race". Unless there is an “arms limitation agreement”, clubs at all levels will tend to overspend on players.

The result is a high level of clubs – large and small alike - going bankrupt or filing for Administration (or seeking bail-outs of dubious legal and sometimes moral nature). Everyone has heard of the spectacular financial difficulties of Fiorentina, Borussia Dortmund and Leeds United, but the problem is in fact widespread. It is striking that no less than 40% of the 92 League and Premier League Clubs in England have been subject to formal insolvency procedures since 1982 (and 18% just in 2002 and 2003). Most Italian Serie A Clubs have recently had several years of significant operating losses and reportedly have total debts of over €2.5 billion (an average of €140 million each, but with some well above this average) and where special measures taken to relieve pressure on them (such as changing accounting rules) have been subject to legal challenge. Italian Clubs have had to sharply and suddenly reduce their spending, notably on players' wages and transfers. All this in a sport where revenue has quadrupled in a decade!

The risks of instability are all the greater because of dangers of fluctuation in revenues for a whole league at a time, notably when television contracts suddenly fall short of what was expected. This is what happened to the English second tier league a few years ago, with the collapse of TV company ITV Digital, causing simultaneous financial difficulties to a whole set of clubs. Simultaneous difficulties accentuate the problems encountered, as it makes it more difficult for clubs to re-coup by selling players.

This instability is detrimental both to the game and beyond. The remedy lies partly in better rules of financial management and governance and partly through measures that limit the tendency of clubs to overspend. The latter, if applied equally to all ("mutual disarmament" instead of "unilateral disarmament") is in the interest of big clubs and small alike.

The limited re-distribution of revenues

Another aspect of the "pyramid" is the re-distribution of revenue. All clubs in a league or set of leagues or a cup contribute to making it a competition, in which matches have more sporting and commercial interest than "friendly" matches between any two teams, even the top ones. The Arsenal-Barcelona Champions League Final will be of interest to millions because it is the final of a wide competition, whereas a friendly match between the same teams would attract far less interest. It follows that revenues raised should not be to the exclusive benefit of the finalists.

Some of the income brought into the sport by the top professional is indeed re-distributed to other clubs and also to least "grass roots" amateur, youth and women's football. Thus, for example, TV rights are sold collectively in many national leagues, with money distributed to all clubs in (and often beyond) the league. The English Premier League, for instance, shares most of its broadcasting revenue equally among all clubs (the rest is dependent on league position and the number of the club's appearances in broadcasts, but the grand totals show that even the least remunerated club gets two-thirds of what the best one gets). It also passes on some of the revenue to recently relegated clubs ("parachute payments"), to the

next highest league. Furthermore, some 5% goes to *The Football Foundation*, a charity that develops social cohesion and education projects linked to football. It also supports the *Football in the Community* project, and every club operates an Education Programme targeted at disadvantaged young people in their area and in which players participate. The latter provide 25,000 Learning Centre places. This and other activities make the Premier League the third largest corporate giver in the UK with annual charitable investments of over £80 million (€ 120 million).

At European level, UEFA re-distributes a proportion of its income. Thus, some 6% of European Champions League money is re-directed as “solidarity” payments to help youth facilities in smaller clubs. This amounts to between €50million and €60million a year helping nearly 700 clubs a year (over one quarter outside of the top leagues). For some of the smaller and poorer associations, this money is a life-line funding the bulk of youth development in their country.

Similarly, some 40% of the revenue from the European Championship (for national teams) every four years is also re-distributed by UEFA via national associations as solidarity payments. Following the 2004 Championship, this money – some €350million - has through the “HatTrick” programme helped finance the building of “mini-pitches” across Europe for recreational football, the renovation of stadiums and various educational projects including the development of women’s football. This sum could be higher in the next European Championship in 2008 – unless certain large clubs are successful in their efforts to obtain reimbursement for the use of their players when they play for national teams, in which case the amounts available for solidarity distributions will fall significantly. The making available of players for national teams is in fact an important part of football solidarity for this reason and also because it is the top clubs rather than the smaller ones who normally have the highest numbers of players selected to play for national teams and therefore take on this “burden” – though they often get a large percentage back when the international exposure of their players increases their value.

These and other forms of re-distribution linking the top to the bottom of the game are concrete examples of football’s solidarity. Solidarity is important for many social and cultural reasons as well as sporting reasons. It is also vital for justifying the “specificity” of football towards public authorities. Specificity has to be earned!

But the phenomenal amounts of money entering the top level of the game have elongated the pyramid: its height has grown faster than its base. In proportional terms, the linkage and support provided to grass roots, amateur and youth football has declined. The levels of “solidarity” payments are scarcely more than, for instance, some commercial companies give to charitable causes.

Take, for instance, the 6% of Champions League money. The amounts are important, but come to an average of less than € 50,000 per recipient club per year: a minute fraction of the sums earned by the top clubs (usually over €20million for a club reaching the quarter final of the Champions League) and scarcely a radical re-distribution! Their use is targeted at youth facilities that are not going to re-establish any competitive balance in the short or medium run.

They are a useful and growing source of funding for grass roots, youth, women's and recreational football, and as such deserve protection and support. But they will not redress the balance between rich and medium/small clubs.

UEFA and all its national associations recommitted themselves (in "Vision Europe" -the strategy paper endorsed by the UEFA Congress last year) to "support re-investment and re-distribution in the game in accordance with the principle of solidarity between all levels and areas of the sport". In light of the above analysis, we can safely say that there is a strong case for strengthening the re-distributive mechanisms in football: for competitive balance (which is also in the interests of the "big" clubs if the sport is to remain attractive to consumers), for fairness and for ensuring that the pyramid remains intact. A pyramid cannot stand without a strong base!

Combined effects

The above trends and others combine and reinforce each other in a number of ways, having knock-on effects of various kinds.

One effect is on youth teams and the training of young players. Wealth means that many top clubs tend to rely on the transfer market, rather than developing home-grown talent. This has had a detrimental effect on youth training schemes in many larger clubs. But it is now less economic even for smaller clubs to invest in youth training. The re-distribution of wealth through the transfer system that goes to smaller clubs which successfully trained new talent, whilst still vital for smaller clubs, has been curtailed as a result of the Bosman judgement. Only a very small percentage of youngsters training to play football will succeed in embarking on a promising professional career. A club doing 'research and development' as an education entrepreneur will have to write off most of the cost of its education projects in this industry. If the club will only be compensated on a cost basis for the very few successful projects – then the club will never have the chance to break even as an education entrepreneur. To receive the appropriate level of compensation, the club would need value-based compensation from the few 'good risk' education projects in order to cover for the education costs of the 'good and the bad risks' in his portfolio.

Another effect is on the dangers inherent when millions can hinge on the result of a single match, or even a single incident in that match. This is at its highest when the result determines qualification for the Champions League or promotion to, or relegation from, the top national league. For instance, consequences worth at least €50million are at stake in the play-off for promotion to the English Premier League, for instance.

With competitive success determined more and more by financial muscle in obtaining the best players, and when top clubs have far more financial muscle than others, the other side of the coin has begun to appear: making sure rival clubs don't get the best players. Thus, the problem of "hoarding" has emerged: clubs acquiring players they don't really need for their team, just to preclude their rivals signing them. Squad sizes of top clubs have ballooned, with many top class players only playing a few matches or playing for the reserves.

What is to be done?

There is a high risk that football becomes stale, with teams in most national leagues likely to finish in predictable positions, and with clubs from outside the “big four” countries unlikely, in most years, to reach even the semi-finals of the Champions League.

This is a threat, at both sporting level and commercially, to the future of the game. Already the growth of consumer interest in the sport has showed signs of tailing off.

At the same time, there are seemingly in-built tendencies to financial instability that can cause crises for individual clubs and even whole leagues as well as impacting beyond the game.

What, then, is to be done? A package of measures, while taking a holistic approach and attentive to the need for balance and proportionality, could begin to attenuate these problems. Each measure will only make a marginal difference, but collectively could have a major impact.

A. Measures to attenuate the tendency for clubs to over-spend on players

Clubs will always be tempted to overspend on players (and even to borrow unwisely), partly because other rival clubs do so and they cannot risk being left behind. It is comparable to an “arms race”. A “mutual disarmament” would be in the interest of all parties. But each must be assured that all the others are respecting the same limits. The following measures could be examined:

- 1. A limitation on the volume of club spending on players' wages. This could be a fixed percentage of a club's earned income. The experience of the English Football League for the third and fourth tier of leagues in England in this field has been successful. It requires clubs not to spend more than 60% of their revenues on player's wages and no more than 75% on total staff salaries (i.e. players and non-playing staff). This is strikingly similar to the agreement reached in 2002 by the G-14 group of top clubs that no more than 70% of audited revenue should go on staff costs. If clubs at the very top level and those of a smaller size in the third and fourth tier of a national league all agree on salary spending limits as an important tool, and also agree on such a similar order of magnitude, then it should be possible to get a wide level of consensus behind a general rule of this nature.**

2. **Similarly, UEFA/national associations should introduce a limit on the deficits/borrowing that clubs are entitled to have for current expenditure. This could be done through the club licensing system, which could be used more extensively to promote "good governance".**

3. **Also through the club licensing system, clubs could be required to spend a fixed proportion of their income on youth training and development, and on their non commercial activities (local community work, women's team, etc). This is another area to which most major clubs would be willing to devote resources, provided all clubs have to do likewise.**

B. Measures to increase re-distribution and solidarity

A series of measures is necessary if we are to begin to address the enormous and growing discrepancies between the elite and other clubs. This is something that is recognized even by top clubs themselves. Such measures will, in some cases, have to be introduced gradually in order not to disturb existing contracts and in order to minimise disruption of current expectations. Such measures could include:

4. **Making the collective marketing of TV rights obligatory for all national and European professional tournaments – be they leagues or cups – with all participating clubs taking an equal or near equal share of the revenue and with a significant proportion going to the next lowest league. The European Commission, as competition authority, accepts that TV rights can be sold collectively (single seller - multiple buyer). This could perhaps be placed on a more formalized basis through the adoption of a "block exemption" under article 81(3) of the EC Treaty.**

5. **The percentage of Champions League revenue that is recycled to small and medium sized clubs across Europe could be gradually increased, over a period of several years, from its current level of 6% to 20% and the money that is re-distributed should be made available not just for youth schemes, but also for stadium safety, security and all other matters connected to the running of a club, especially for smaller and medium sized professional clubs, provided such clubs meet the "good financial management and governance" criteria and comply with UEFA and FIFA rules. A percentage of UEFA Cup revenue should be similarly earmarked. The solidarity payments from the European Championship revenues should similarly be made available for a wider range of solidarity spending.**

6. UEFA/FIFA should require all national associations/leagues that do not already do so, to operate their own internal redistribution system in favour of small to medium sized professional clubs, including re-distribution to lower leagues.

7. There could be a central clearance system for transfer fees with the retention of a fee of 5% of all transfer fees for redistribution among all professional clubs in the relevant national association of the paying club, additional to any percentage that currently sometimes goes to a player's club of origin.

8. The issue of compensating clubs for the appearance of their players in national teams should be treated with care. Whilst at first sight the payment of at least the insurance of players, by the relevant national association, would seem to be fair, consideration must be given to the wider consequences. Such a system would mainly compensate clubs with a large number of international players - i.e. it would bring more money precisely to the rich clubs which already tend to dominate the game. On top of that, it would present a major burden on the weaker national teams / federations, not least those from Africa and other third world countries, but also some of the smaller European countries. Instead, there could be a system of collective insurance of players, at least for international tournaments such as the World Cup and the European Championship. FIFA (for the World Cup) and UEFA (for the European Championship) should introduce such a collective insurance when the legal uncertainty surrounding current judicial proceedings has been lifted.

C. Measures to lessen competitive imbalance

9. The two recent initiatives taken by UEFA to lessen competitive imbalance should be endorsed and should also be applied by national leagues and associations for their own tournaments. They are:

- The rules limiting squad sizes. This is essential to prevent the hoarding of players by big clubs, some of whom now have massive squads of players who only play occasionally, bought to avoid other clubs buying them. This measure should spread talent more widely.
- The UEFA "home grown" players scheme should be strongly supported. It respects EU law by not going down the road of supporting nationality quotas. The home grown player system does not constitute discrimination on the ground of nationality. It should equally be implemented by national associations for domestic tournaments. The link between the financial budget of a club and its playing strength becomes less direct if the club is forced to incorporate a certain number

of home-grown players into its squad instead of simply buying talent on the market.

As well as the concentration of power and wealth among an elite group of clubs in each country, we face the problem of a concentration of power and wealth among the “big four” (or at least “big five”) leagues in Europe. This problem is a result of medium and smaller national leagues not having the market size to generate comparable levels of revenue domestically (while they now have to compete in a European market for players).

10. UEFA should have an open attitude to allowing smaller leagues to amalgamate, or at least to organise an additional league or cup tournament alongside their own national ones (even if the latter might then have to have a smaller top division). The "Royal League" in Scandinavia has been a very tentative step down this road. The “Celtic League” in rugby (Scotland, Ireland, and Wales) is comparable. Previously existing tournaments, such as the Mitropa Cup in Central Europe, might be revived as might a “West Balkan” or even Balkan league to try to generate the market size and sporting interest that the former Yugoslav league had.

11. It has been suggested that, in the top tier of national leagues, each season should begin with the previous season's winner on -5 points, the previous season's runner-up on -4 points and so on. One can imagine variations on this, perhaps going throughout a league from -19 to 0, or with a greater discrepancy than just one point between each position, or only a handicap for a team that has won its league three years in a row. National leagues should consider the desirability of such measures.

12. The International Board should even consider adjusting the rules of the game to address the fact that the receipt of a yellow card by a player during a match is no longer a major disincentive for the big clubs who do not mind their players being regularly suspended after accumulating two yellow cards, because they have another equally good player in reserve. Smaller clubs, by contrast, tend to have a more limited number of top players and the loss of such a player by suspension has a major impact on their next few matches. The remedy would be to make a yellow card actually matter during the match in which it is given by requiring the yellow-carded player to leave the pitch for 10 minutes (as happens in other sports). Another possibility would be to make the cost of fouls higher by allowing free kicks to be taken 10 metres further forward than the spot at which the foul was committed. This would also make many free kicks more interesting.

D. Measures to widen or diversify participation in the most revenue-generating tournaments

In order to avoid qualification for Europe becoming a monopoly of an elite group in each country, UEFA could examine a number of measures relating to qualification to its tournaments:

13. The Inter-Toto Cup could be expanded into a more comprehensive pre-season “*European Qualifying Competition*” affording opportunities to clubs that may not be among the regular qualifiers for Europe. For instance, why not allow (1) the second division champion, being promoted to the top league in their country (with the financial challenge but at the same time with huge supporter interest that such promotion generates) and (2) the winner of the Fair Play trophy of the previous season, to enter a qualifying competition? Such a competition could be based on pools of five teams from different countries, each playing each other once (so, a total of four matches) with the top team qualifying for the preliminary round of the Champions League and the second team qualifying for the preliminary round of the UEFA Cup (the pool formula is modelled on the current pool stage of the UEFA Cup). Obviously this would involve expanding the preliminary rounds of the Champion’s League and the UEFA Cup, but this should not be impossible.

- **The Cup-Winners Cup could be re-instated. This afforded an extra possibility for medium sized clubs to shine in a European tournament. Its abolition is recent, so we are talking about reviving a known and understood concept with a genuine history.**

14. The balance of who qualifies directly into the group phase of the Champions League should be re-examined. Only champion clubs should qualify directly without playing a single qualifying match. This would increase the number of countries (currently 9) from which the champion team qualifies directly to the group phase and therefore help more medium-sized leagues.

15. In this context, UEFA's decision three years ago to move straight to a knock-out phase after the groups (instead of a second round of groups) in the Champions League should remain in place, both because it gives a greater chance to smaller clubs that have got this far and because it de-congests the fixture timetable of televised European matches (which compete with the matches of smaller clubs) by reducing them from 17 to 13 days.

Role of public authorities and the EU

Are such measures legal? The "law of the land" - be it national law or European law - applies in equal measure to football. It would be futile to seek complete exemption from laws such as the EU's prohibition of discrimination on grounds of nationality or competition law.

On the other hand, it is legitimate to argue that those laws must be applied (and, where possible and appropriate, drawn up) with the specificity of sport in mind. So, for example, competition policy in its economic sense must not be applied in a way that would destroy sporting competition.

Over the last few years, the practice of the European Commission and the case law of the Court of Justice have shown that there is a growing understanding of this and of the need to leave sporting authorities with a wide degree of autonomy for self regulation in running their own sport. Sporting authorities have been allowed to set the organizational framework, even when this has secondary effects restricting the freedom of economic actors, provided that these restrictions are justified and proportionate to the objective pursued. So, for example, transfer windows are considered to be a justified sporting rule, although they amount to a restriction that would not normally be accepted on the labour market.

The Commission has stated (answer to a parliamentary question, 6 November 2000) that "Sport is subject to Community law in so far as it constitutes an economic activity within the meaning of article 2 of the EC treaty... Sport does therefore not benefit from any general exemptions from the rules of the EC treaty...However the Commission recognises that sport has certain specific characteristics..This means that the rules of the game and, in a general sense, the purely sporting rules do not come under competition law".

The Commission has expressed its "support for the independence of sports organisations and their rights to organise themselves through appropriate associative structures. It is therefore the task of the sports organisations to organise and promote their particular sports, particularly as regards to the specific rules applicable and the make up of national teams. Naturally this task must be carried out in compliance with national and Community legislation" (30 April 2002).

Equally, the Commission has stated that it is "in favour of developing licensing systems for professional football clubs provided these are compatible with Community law." (22 August 2003) and that that "both national and international sport organisations also have a particular responsibility in taking care that football grows in a healthy environment. The Commission is aware that UEFA has plans to introduce clubs licensing system, in order to increase accountability in this sector." (11 March 2004)

The Commission has said it is "very conscious of the potential benefits of economic solidarity in sport" (18 February 2002) and that, concerning differences in financial management rules, it "welcomes all initiatives from UEFA or from national sporting federations with a view to reducing these differences and making the rules enforced more consistent" and that "it is up to the competent authorities, whether public or sporting authorities, to take the necessary measures to harmonise the management rules of European clubs" (11 March 2002).

A similar analysis can be made of recent case-law of the EU Court of Justice.

Of course, as in any area of the economy, there are circumstances in which public authorities may be called upon to intervene - but these are likely to remain exceptional in the case of sport, and probably only if there is manifest failure of the sporting authorities themselves to deal with a problem which is of major concern and has significant external repercussions, or else if fundamental principles are at stake.