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HOW LEVELED IS THE FOOTBALL PLAYING FIELD? A STUDY ON FAIR PLAY AND COMPETITION IN THE FOOTBALL SECTOR

SUPERVISOR

A. RENDA

CANDIDATE

GABRIELE GRASSO

STUDENT ID 149681

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Gabriele Grasso

149681

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Economics and Business Gabriele Grasso

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INTRODUCTION

In recent years the football world has been experiencing significant changes, moderately engaging a self-deterring mechanism, where the need of innovation combined with the ever-increasing level of competition have been heavily testing both managerial and financial capabilities of football clubs.

In order to achieve and comply with the competitive requirements, major European football clubs are undertaking unimaginable financial transactions, mainly but not only addressed to the acquisition of high-skilled football players, where despite the negative financial balances of clubs owners adopt any given possible strategy in order to obtain capital to be invested in the market. The most recent and relevant example refers to the 2009 summer transfer window, where Real Madrid F.C. spent an amount close to 160 million euros in order to have Cristiano Ronaldo and Kakà on squad. Money which did not originate from the club's financial resources, but instead emerged from colossal bank loans.

Indeed, the football world is experiencing a transition period towards a new era, in which massive capitals of rich owners will decreasingly affect the club's financial capabilities of realizing a winning and competitive club. As the new Financial Fair Play (FFP) rules come into play, the degree by which football clubs will be able to count on important financial resources will depend on the managerial and administrative abilities of the club. If for instance Real Madrid F.C. thinks on acquiring top players in the next summer transfer window, before it will have to make sure to respect the financial requirements listed by FFP.

The purpose of this thesis is to verify if the past and new UEFA regulatory policies will be beneficial for European clubs, understanding if they will guarantee a fair and equal competition among the players within the football industry through the provision and respect of financial equilibrium criteria.

The first section will overview the historical legislative and economic tendencies across European football during the last decades. Through the analysis of the main regulatory adoptions, we will observe how the football industry managed through years to achieve such a controversial situation. Next, I will present an economic analysis of European football, focusing on the major European football leagues, and going over the main areas which play a significant role in determining both the financial balance and competitive level between football clubs. Afterwards, I will present the main provisions of the 2010 UEFA task on Financial Fair Play, highlighting the most relevant rules and regulations.

In the following section we will undertake an evaluation of the FFP legislations, analyzing the different outcomes accomplished. To this extent, through an ex-ante assessment, I will focus on determining if the FFP rules are the best solutions for the characteristics of the football industry, understanding the level of sustainability of these rules by European clubs and finally ascertaining if they guarantee an equally competitive playground for all the parties involved.

I will finally conclude my work by expressing remarks on the FFP framework and on the matter of the legislations.

1 HISTORICAL BACKGROUND OF EUROPEAN FOOTBALL

In this section we will go over the main legislative changes adopted in the last decades, which are essential to determine and understand the differences in competitiveness and financial stability of European football, before and after the enactment of the laws. The Union of the European Football Associations, namely the UEFA, was founded on 15 June 1954; it's one of the six continental confederations of world soccer's governing body. It represents the administrative and controlling body for European football associations. Organizing nine official competitions for national teams and five official competitions for club teams, it is by far the leading and most powerful football association. Representing the various European national federations, UEFA's main objectives

Table 1: UEFA Member Associations

Albania	England	Italy	Poland
Andorra	Spain	Kazakhstan	Portugal
Armenia	Estonia	Lichtenstein	Romania
Austria	Finland	Lithuania	Russia
Azerbaijan	France	Latvia	Scotland
Belgium	Faroe Islands	Luxembourg	San Marino
Bosnia-Herzegovina	Georgia	Moldova	Serbia
Belarus	Germany	F.Y.R. Macedonia	Switzerland
Bulgaria	Greece	Malta	Slovakia
Croatia	Hungary	Montenegro	Slovenia
Cyprus	Ireland	Netherlands	Sweden
Czech Republic	Iceland	Norway	Turkey
Denmark	Israel	Northern Ireland	Ukraine
Wales			

Source: UEFA

have always been oriented in protecting and promoting the world's most popular sport, trying to establish equality and fairness principles to be respected by all the participants of the association. Reutilizing earned revenues in order to reinvest and redistribute them within the game, UEFA consistently pursued the achievement of an innovative and competitive football environment.

At a jurisdictional level, the UEFA has experienced some significant disagreements with the European Union's justice body, namely the European Court of Justice. Along with the different challenges faced by the UEFA, the football industry had to consequently adapt to the new legislative outcomes, which sensibly determined the financial and competitive equilibrium conditions of modern football market.

To this extent, the Bosman Case can be defined as the watershed between the "old" and the "new" football, interpreted as a new regulatory system which transformed the entire profile of the football sector. We will give a look at the content of the dispute, providing a panorama of the situation in European football before and after the legislative execution, analyzing the practical effects of this legal conflict, observing how the football industry managed to apply these changes and understand if and how the outcomes resulted efficient in terms of economic and competitive balance.

Jean Marc Bosman, almost unknown player at the time (1990), used to play for the Liege Royal Football Club. As its contract ended, he was contacted by the French club Dunkerque, which offered him a new contract. Bosman wanted to be transferred to the French club, however Liege Royal Football Club refused to let the player leave without the payment of a transfer fee , calculated according to the parameters established by UEFA, which Dunkerque were unwilling to pay. Therefore Bosman decided to undertake legal actions against this situation, claiming that as a citizen of the European Union he possessed the right to move and find a job wherever he preferred within European confines. This brings us to the first essential point of discussion, the so called “freedom of movement” or labor mobility.

Before the Bosman Case, the player transfer mechanism presented sensible differences with respect to the actual situation. Until 1995 a football player could have the possibility to be transferred to another football club only if the two contracting clubs agreed on a transfer fee, to be paid by the buying club. This applied despite the contractual situation of the player, no matter if the player was still under contract with the selling club or not. This condition likely prevented Bosman to transfer to the French club, as Dunkerque refused to pay any transfer fees to the Liege Royal Football Club.

Hence, the case was questioned at the European Court of Justice, which in 1995 disclosed in favor of Mr. Bosman and against Liege Royal Football Club, the Belgium Football Association and the UEFA. The European Court of Justice subsequently made an important decision which stated that transfer fees related to out-of-contract players were claimed to be illegal where the football player was moving between one E.U. country to another. From that moment on transfer fees for players are to be paid exclusively in the situation in which players, at the moment of transfer, still are under contractual agreement with their current teams.

This crucial decision brought several implications across the European football market, probably worsening the position and contractual power of clubs over players. One immediate result was that clubs started signing players for longer contracts, in order not to take the risk of losing players for free transfers. This critical change negatively influenced mostly the smaller clubs, which could not afford long period contracts primarily for young players, as their potential was still to be fully expressed, eventually not fulfilling the club’s expectations. As a result, smallest club’s most talented players were able to move to larger clubs for free, implying a huge capital loss for the club, not only due to the free transfer of talented players, but also due to the loss of valuable resources, which directly culminated in hampering the competitiveness of the team.

As mentioned above, the Bosman Case brought to attention another important aspect not to be underestimated, namely the increased contractual power of players. Now football players demand higher wages, and choose to move to another club according to the wage offered by the latter, where if not satisfied they can decide to sell their professional sport performances to the best offering club in the market. As a result top players have greater control over their football careers, receiving wages which can easily be considered as over-reflecting the actual value of their football abilities.

Another essential matter brought up by the Bosman Case refers to the “quota system”. Before the Case was discussed by the European Court of Justice, this criterion stated that only a limited number of foreign players could participate to a given national football match, with a maximum of 3 foreign players on team for UEFA competitions. Regarding this regulation, Vladimir Spidla, the Commissioner for Employment and Social Affairs, said: “This would be direct discrimination on the basis of nationality, which is unacceptable. It's a non-starter.” As the issue was brought to the attention of the European Court of Justice, this quota system was pronounced to be illegal, stating that football clubs were free to play as much foreigners from other European Union countries as they like. In the 1995/1996 football season the foreigners present in the Italian championship were 61, the next year the number increased to 93 and in the 2001/2002 championship there were 248 foreign football players: an increase, in only 6 years, of 306.6%.

Since the emission of the sentence there have been several discussions on the real benefits and consequences this regulation could bring. In my opinion it could culminate in harmful disclosures for National selections, as the invasion of foreign players would leave little room for native players, limiting selection possibilities and decreasing the competitiveness of National teams in International competitions. On the other hand, the total opening of sport frontiers is a natural consequence of common markets involving all European professionals, permitting free labor flow within European Union countries. For some national leagues this could have a great beneficial effect, enabling lower-level European championships to fill the gap with the most outstanding leagues, providing a greater sense of competitive equilibrium throughout UEFA competitions.

Another practical issue brought by the Bosman case refers to the impairment of youth sectors. Having the free flow of labor between E.U. countries allows football clubs to recruit the best and most talented young players around the European Union, instead of facing important investments and therefore seeking future football champions within their house walls. This is a very sensible matter, as unfortunately the culture of developing and improving club's youth sectors has been a declining concept. Being able to develop an outstanding youth sector in my opinion can enable indispensable outcomes which could actually represent a sensible turn in both the financial and strategic opportunities of football clubs.

The most impressive example in highlighting the importance of building a valuable youth sector refers to F.C Barcelona, which for years invested many millions in order to develop not only a profitable youth sector, but endowed strengths and resources in order to accomplish a football philosophy, which would mark players throughout their whole career, providing them with unique distinctions, components which always determined great successful careers for F.C. Barcelona youngsters.

This results as being a quite relevant issue for major European countries as it also restrains financial opportunities, as youngsters which grow profitably and result being valuable players will also produce an incremental economic value, where if needed it could be capitalized in the direction of areas which require greater attention.

This philosophy has recently provided fundamental benchmarks for succeeding in European football. Unfortunately, the applicability of these criterions linked to youth sector potentialities still need to be forwarded and practically faced by major football clubs, which in current years still prefer going around world’s most profitable football youngsters countries and undertake recruitment procedures.

2 ECONOMIC ANALYSIS OF EUROPEAN FOOTBALL

2.1 Birth and development of the European football industry

In past years the football world was not conceived as an industry, where despite its popularity, it received less "business" attention with respect for instance to the four major American sports: basketball, football, hockey and most importantly baseball.

In order to ensure the athletic-agonistic practice to their enrolled athletes, in origin football clubs were composed of associations with recreational purposes. Football clubs' economic duties were merely represented by management costs, which were covered through the payment of contributions by volunteers, associates and external sustainers. This was possible thanks to the limited economic dimension of the sector, where relatively small budgets were sufficient and largely preventable.

As years passed by, the football phenomenon started to spread increasingly; the scenario started to mutate and to attract more and more interest, along with the ever increasing expenses needed to sustain the management of the clubs, which could no more be sustained by the sport associations exclusively through the contributions of volunteers. Therefore clubs started to address the market, with a transformation to real enterprise organizations with the needed organizational and structural mutations.

During the 70's the national sport institutions started to recognize the need of challenging a legislative change, redefining the role of football clubs, which by that time were no longer describable only as volunteer associations, but as a matter of fact became firms exercising rapidly expanding activities, both in economic and social terms.

In England at the beginning of World War 1 almost all professional football clubs had become limited liability firms. In Italy instead only in 1966 the Italian Football Federation

(F.I.G.C.) decided the adoption of a new juridical structure, which could be more suited for the mutating socio-economic context in which Italian clubs operated.

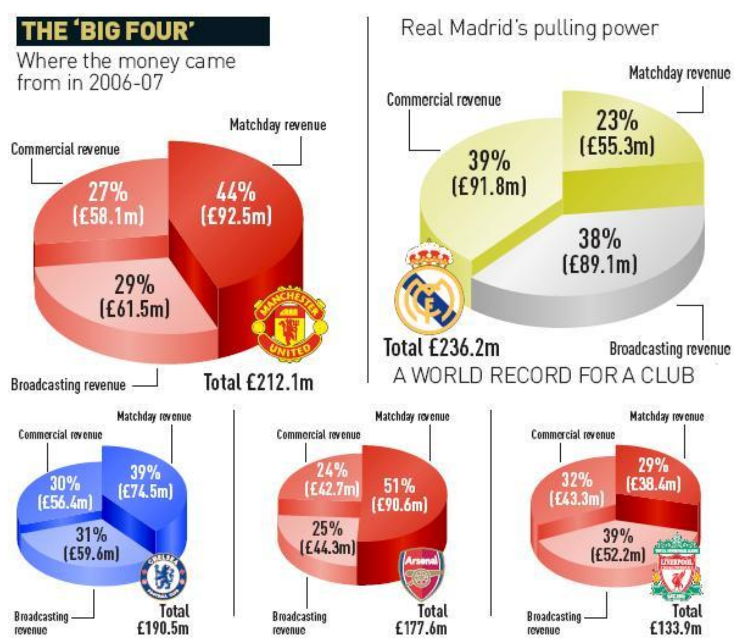
Therefore this cultural evolution brought higher emphasis on the entrepreneurial management of football clubs, where economic interests started to overcome sport results.

As a consequence , we can state that in 1974 the "football business" was born. In that year Jean-Marie Faustin Goedefroid de Havelange (born May 8, 1916), more commonly known as João Havelange, was elected President of the FIFA with the objective of making football a real industry open to everyone who wanted to invest capital, and earn even more. It took only a few years for revenues from this industry to largely increase, especially thanks to television platforms. In fact, the broadcasting of football matches became through years the most relevant source of income for all European clubs, practically becoming more and more dependent from this source of profit.

This enormously crucial matter will be analyzed more in depth as we proceed with our discussion.

Some other relevant transformations took place in the following years; between 1998 and 1999 the sport bets were legalized and, even more important, the calendars of international competitions were reformed, introducing new events with

Figure 1: Source of Revenues for the "Big Four" European clubs



Source: BBC News Economic Report

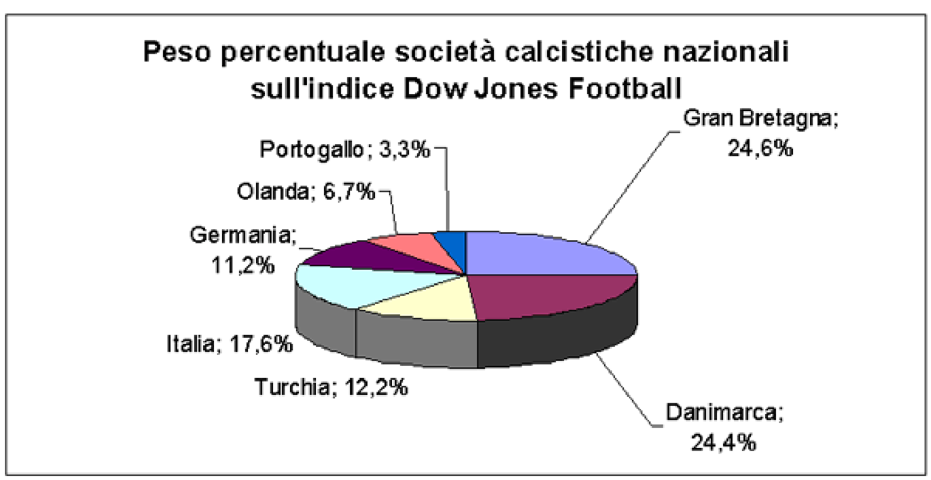
inevitable repercussions on economic interests and on the sport management of clubs. In fact, if the enrichment of calendars brought higher profits through the sale of broadcasting rights, stadium tickets and higher sponsorships, on the other hand the increased number of matches within a season brought clubs to progressively enlarge their players shortlist, reaching 25-30 players on average, with relevant consequences on the club's economic stability, not only due to the transfer costs for players but above all due to overall higher salaries.

Salaries which will represent in the following years the most heavy element to sustain regarding the economic balance of clubs. In fact, since entertainment is offered by players on the football pitch, in order to reach a higher entertainment level and therefore obtain richer sponsorship contracts and higher profits from the sale of broadcasting rights, clubs must purchase the best players on the market, essential point in achieving sport victories which do not only provide prestige to the team, but also result in higher revenues from competitions, attracting the most important sponsors which obviously want to invest in the most dominant football teams.

As we described above, the changes adopted starting from the mid 90's have shifted the primary focus for football clubs from the achievement of sport results to the capacity of generating revenues.

The most striking example is represented by the transformation of football clubs in stock companies. While Italian clubs were still possessed by single private entities, like the Moratti family for F.C. Internazionale or the Agnelli family for F.C. Juventus, in

Figure 2: National football teams' percentage weight on Dow Jones Football index



Source: Consob

England the first football stock company was represented by Tottenham Hotspurs already in 1983, while the first Italian case is quite recent, with S.S. Lazio quoted on the stock exchange market by 1998.

This is the result of the Italian cultural prospective, historically reluctant to market opening, as Italian clubs have always been conceived as family patrimonies and therefore hardly open to “division” or “sharing” with other parties. Nevertheless, the increasing financial volume of the football sector, starting from the 90’s, attracted the interest of numerous investors, which started to think that football clubs could represent profitable financial opportunities.

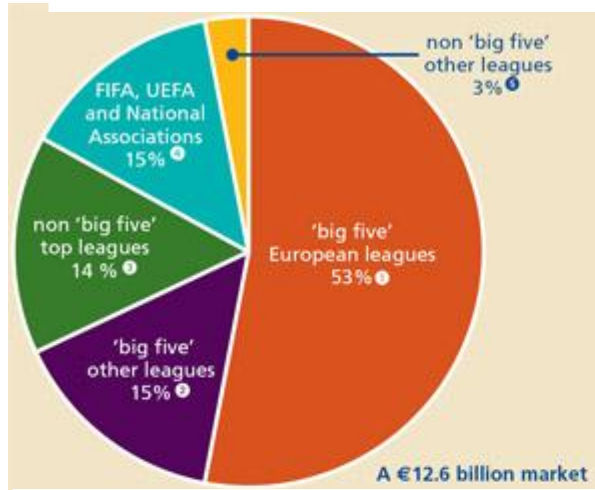
The increasing interest in the football industry by numerous stakeholders, as we said, gave more and more relevance to the economic aspect of football clubs, and the trade-off between sport and financial success became exponentially important. Correlating accounting data and sport statistics it is possible to examine the historical relation between profits and team performances. A simple method to reveal this relation is to evaluate the dependency between the change in profits and the change in the final championship ranking. From a survey conducted for approximately fifty English football clubs representatives for the English football system, the coefficient which puts in relation the championship ranking changes and the changes in profits of clubs is close to zero.

The absence of a significant relation between ranking position changes and changes in profits is one of the most relevant rules in the football sector. It implies the absence of a simple formula which can correlate the financial and sport success. Nevertheless, football managers become increasingly careful about the possibility of generating profits, due to the fact that international competition brings higher costs to sustain, enlarging the economic duties of the major European football clubs. Even if research tells us that there is no correlation between economic and sport performance, if we just take a quick look at the balance sheets of the major international competition winning clubs and those of the less quoted teams, we can notice that clubs generating higher profits are the ones which manage to reach a higher level of competition. The most straightforward example is given by Chelsea F.C. , which before the arrival of the Russian magnate Abramovic represented an average Premiership English team, managing to conquer only one English Premiership Champions title in their club history. As the Russian billionaire acquired the club, Chelsea F.C. became one of the most important European teams, managing to win the English Championship twice, and achieving important results also in international competitions.

The first financial potential expressed by the European football market refers to 1992, when Rupert Murdoch, Chairman and CEO of News Corporation, placed a massive bid for the exclusive rights of the English First Division, the Premier League.

Other examples of recent "business" type of attraction related to European football is expressed by the acquisition in 2005-2006 of two of the most important English Premier League's football clubs, namely Manchester United F.C. and Aston Villa F.C., both acquired by American owners. Before the economic football development of recent years, interests in this sport derived mainly from football managers, fans and players which considerately cared about football resources. Nowadays, being football a multi billionaire industry, it attracts huge capital resources providing

Figure 3: European football market size 2006



Key:

1. Top domestic league income in England, France, Germany, Italy and Spain.
2. Income for all professional leagues (except the top division) in England, France, Germany, Italy and Spain.
3. Top domestic league income in each of the other 47 UEFA countries outside of the 'big five'.
4. Estimated proportion of FIFA's income derived from Europe, UEFA's total income (from which payments to clubs and federations are deducted), and National Association income (from which payments to clubs are deducted).
5. Income for all professional leagues (except the top division) in all the other 47 UEFA countries.

Source: Deloitte analysis.

unique opportunities for commercial investments and growth.

2.2 Present European Economic Panorama

Football is the most influent and followed sport throughout the world. It has been calculated that 1.8 billion people are emotionally attracted to this sport, therefore powering a business which now matches up with the major productive sectors. Europe is the pulsating center of the football industry, thanks to the huge number of supporters, to the economic power produced, to the hours transmitted on TV, to interests of media, to advertising investments, to the penetration capacity within populations. Numbers related to the 2007/2008 season are quite astonishing: 16.7 billion euros is the direct aggregate turnover: 11.9 deriving from the 53 major championships of the UEFA affiliated countries (of which 7.7 only from England, Spain, Germany, Italy and France), 2.7 produced by other championships and 2.1 billion euros from the single federations and associations. According to what emerges from the last “Annual Review of Football Finance” by Deloitte, European football managed a turnover of 15.7 billion euros, while the so called “Big Five” leagues in 2008/2009 managed to reach a total of 7.9 billion euros (from the 7.7 of the previous season).

The football industry is a constantly growing system which slightly suffers even form the most relevant financial crises. In the 2008/2009 season there were 105 million spectators assisting to the 11.460 football matches in the 53 top European championships, where among the 732 teams participating to the various European top division championships there are 60 clubs (all deriving from the 5 major European leagues) which exceed a turnover of 50 million euros.

The overall revenues are divided as follows: 36% TV and medias, 25% sponsorship and advertising, 22% match day (stadium cash in), 17% other sources. The subdivision of costs instead is structured as follows: 56% for staff and player salaries, 37% for management costs, and 7% for other costs. Nowadays in Europe the 51% of clubs register operating losses for a total of 578 million euros, with only 4 nations not having any losing clubs.

Italy is the European country with the highest dependency from broadcasting rights. Nowadays they represent the 61% of revenues and the percentage is constantly rising. In 35 of 53 countries the revenues from broadcasting rights represent less than 10% of the total[1]. In the 2008/2009 season, the revenues of the "Big Five" European leagues deriving from the broadcasting rights amounted to 3.712 million euros, equal to the 47% of total earnings[2].

The total revenues regarding European football , excluding the different federations, in the season 2007/2008 rose to 7,35% reaching 14.6 billion euros, one billion more than the past season. The earnings of the five principal European football leagues are located around 7.7 billion, higher result with respect to the 7.1 billion reached in 2006/2007, with an increase of 7.79%. Indeed, according to *Forbes,* last season's(2009/2010) revenues regarding the 25 most important European football clubs rose by 20%. In the last season, always according to Deloitte, the European club's world has become more and more polarized. The first 20 European clubs managed to generate earnings above 3,9 billion euros on the whole market of the 2008/2009 season, equal to more than 25% of the entire market. Among the "Big Five" leagues La Liga, the major Spanish league, is the less balanced with a 25-times revenue difference between the biggest and the smallest club.

[1]G.TEOTINO, M.UVA*, La Ripartenza: analisi e proposte per restituire competitività all'industria del calcio in Italia*, Il Mulino- Ariel, 2010

[2] Deloitte, *Annual Review of Football Finance 2010*

The Premier League and the Ligue 1 are the most balanced, both with a disparity between smallest and biggest club equal to 6 times.

According to some observers the lack of repercussions of the world financial crisis on football are only a matter of time, mainly due to the fact that football clubs establish long term contracts both regarding sponsorships and broadcasting rights[3]. However no particularly alarming signals were perceived for the future so far, if not those arising from economic difficulties of some football owners and entrepreneurs, suffered in the field of their professional activities. On the contrary, there were some positive indications highlighting world football's attractiveness and vitality. In June 2009 the Irish group Setanta, which possessed part of Premier League's broadcasting rights, declared their impossibility of honoring their duties, and the American leader ESPN immediately jumped in and acquired the broadcasting rights. Another example is provided by AIG, main sponsor of Manchester United till June 2010 but most of all one of the insurance giants majorly hampered from the economic tsunami, which was replaced from another insurance giant, AON, with a compensation resulting almost doubled with respect to the former.

Another recent striking example refers to Liverpool F.C. who recently renounced to its 17 years partnership with Danish beer Carlsberg for a 4 year 80 million euros contract with Standard Chartered, the American credit institute, signing the most remunerative contract in the club's history.

According to Dan Jones, partner of the Sport Business Group in Deloitte, "the constant European football growth in revenues demonstrates a strong resistance to the economic crisis, demonstrating the tenacious fidelity of supporters and the high degree of

[3] G.TEOTINO, M.UVA*, La Ripartenza: analisi e proposte per restituire competitività all'industria del calcio in Italia*, Il Mulino- Arel, 2010

attractiveness football still manages to maintain with respect to sponsors and medias. Therefore there is no doubt on the real challenge faced by the sector, which is not represented by the continuous need of earning revenues, but rather from the increased need of managing costs, in particular players' salaries and transfer fees in football market operations".

Not even the presence at stadiums of spectators resulted in decline, aspect which should be firstly damaged in a crisis situation, due to difficult family situations and increasing unemployment. Instead in the 2008/2009 season the five most important leagues registered an important 1.7% increase: from a 29.700 average spectators to an average of 29.900.

Going back to aggregate turnovers, it is important to notice how the Italian Serie A in 2007/2008 was the most revenue growing league, achieving 1.4 billion euros (at the same level as Germany and England), thanks to an increase equal to 22%.

In 2008/2009 the German Bundesliga registered a record growth of 10%, reaching 1.575 million euros and surpassing the Spanish La Liga, which obtained earnings of 1.501 million euros. The English Premier League maintained the first position worldwide in terms of earnings (2.3 billion euros), while the Italian Serie A (1.494) and the French Ligue 1 (1.048) have increased their turnovers respectively by 73 (+5%) and 59 million euros.

Despite the alarms booming out from various directions, the football world does not seem to suffer the same difficulties challenged by the world financial system. A probable reason relies in its vast popularity, at any level, among all social classes, between men and women; elements which make football a cross-sectional product among the most desired worldwide, even with its atypical economic determinants.
It is certain that the overall debt load of football clubs, as we analyze them in the

following paragraphs, is reaching quite worrying proportions but not due to profit breakdown as one might think.

As a matter of fact, the immunity of the football market with respect to global market shocks is probably the most unexpected anomaly of a market system which is unconventional by definition. Indeed, if competition is the essential basis for the vitality of any economic sector, in the football world (and in all other sports) it represents the necessary condition for its same survival. Each football club in order to exist requires the presence of competitors in the situation where it exercises its activities within the sport competition. Each club's wellbeing is yes measured, as in other sports, on its capacity to prevail on competing clubs, but it cannot go through their exclusion, neither through their excessive limitation. The stronger the competitors, the more attractive the aggregate product results, increasing its value, even in presence of lower chances to succeed. When F.C. Juventus was sent in second division as a consequences of its responsibilities in the Italian football scandal (Calciopoli) in 2005, not only its turnover suffered an almost deadly stroke, but also the entire Serie A system lost credibility with respect to the other major European leagues. Therefore, for instance, F.C. Internazionale did exploit benefits not having to compete against an historical contender, and from the penalties suffered from two other strong clubs as Milan A.C. and A.C. Fiorentina, but it had to witness the enlargement of the competitive gap there was with respect to other major European football clubs. The absence of a strong internal (national) competition practically brought Moratti's team to negatively perform in European competitions, situation which was brilliantly interrupted on the 22 May 2010 after an incredible march towards the conquer of the Champions League final in Madrid against F.C. Bayern Munchen.

In practice, each football club needs the presence of other competitors. Each failure of a club does not necessarily reinforce the competitors, but instead it hampers the effective consistency of the market. It is quite evident that from consumer's point of view, namely the fans, an uncertain championship is more interesting and attracting than one where the winning team is known in advance. The competitive equilibrium makes the football event full of expectations and therefore yields a more spectacular and profitable product.

Another anomaly regarding the football industry emerges from different studies which highlight the main objective of football clubs. One might think that the primary goal for a club is profit maximization, as the financial power of a club is the main determinant in achieving sport victories. But, in a system as the Italian one where we observe significant managerial losses, the brand image and prestige are the main reasons for which many important entrepreneurs in years decided to invest in football. In fact, a club's success is not measured on produced utilities, neither on its capacity to involve the territory, enhance young resources, amuse and entertain its people. The main objective for clubs are sport results, for which there is a coincidence of interests between producers (owners, administrators, employees) and direct consumers (supporters of that team). Therefore very often a victory against less important rivals is anyways considered more profitable than a slight loss against the most relevant rivals.

2.3 Economic value of the richest European football leagues

As we previously observed the 52.7% of European football turnover (7.7 billion euros) in season 2007/2008 derives from the top championships of the five most important nations. In addition, confirming the continental football dominance of these five countries, approximately 16% of the overall earnings are generated from their minor professional championships.

Actually England is the dominant football nation, both regarding sport and economic values. Six on twelve finalists of the Champions League's last editions were English clubs, consolidating the first position in the UEFA ranking. And in the following season the English Premier League made a turnover of 2.326 million euros (115 less than the 2007/2008 season, due to the depreciation of the sterling). At second place we find Germany, with 1.575 million (increase by 10%), with Spain in third position, with a 4% growth (1.501 million euros). Italy and France, as revealed previously, reach respectively 1.494 (+5%) and 1.048 (+6%).

From the analysis of turnovers and their historical tendencies in the last decade it is possible to denote the aggregate turnover increases of the major European football leagues.

Table 2: Last years' turnovers in the five major European football leagues

Fatturati	Inghilterra	Germania	Spagna	Italia	Francia
1998-1999	995	577	612	714	393
1999-2000	1147	681	722	1059	607
2000-2001	1392	880	676	1151	644
2001-2002	1682	1043	776	1277	643
2002-2003	1851	1108	847	1162	689
2003-2004	1970	1058	953	1153	655
2004-2005	1982	1236	1029	1336	696
2005-2006	2049	1195	1158	1399	910
2006-2007	2273	1379	1326	1163	972
2007-2008	2441	1438	1438	1421	989
2008-2009	2326	1575	1501	1494	1048

Source: Deloitte; data are in million euros

In 2000 Italy nearly managed to reach England's same turnover level, with a clear distance from Spain, Germany and France. From that moment on the English league increased its earnings by 102,8%, while for Italy we register an increase by only 41,1%. As a consequence, in 2006 Italy was surpassed by Germany and Spain, and as we proceed we will notice how the German growth is quite balanced and due to a general wellbeing of its football system, while the Spanish situation is mainly due to the incredible economic exploits by the two major Spanish clubs, Real Madrid and Barcelona, also favored by the individual sale of broadcasting rights.

If we observe the structure and composition of the turnovers, we can notice how the dependency from the sale of broadcasting rights is a fundamental aspect mostly for Italy. In fact, no other European country is so dependent on revenues deriving from the sale of broadcasting rights. According to a study developed by Stage Up – Sport & Leisure Business[4], only France is destined to establish a higher dependency than Italy on broadcasting revenues.

Table 3: Turnover composition of the main European football leagues

Campionati	Stima fatturato 2010-2011	Diritti televisivi	Ricavi da stadio	Sponsor e Marketing
Inghilterra	2650	53%	26%	21%
Germania	1520	34%	23%	43%
Spagna	1430	44%	26%	30%
Italia	1500	63%	13%	24%
Francia	980	68%	14%	18%

Source: Stage Up – Sport and Leisure Business

[4] *"Il business del campionato di calico Serie A 2010-2011"* is available on the internet site of the research company, www.stageup.com

From this table it results quite evident how Italy and France enormously depend on broadcasting revenues: this high dependency is mainly caused by the sensibly low influence of earnings from stadiums, which are not owned by the football clubs and therefore do not produce any revenues from commercial and cultural activities. The poor turnout which characterizes stadiums of these two countries is also another crucial element, due to the fact that they result uncomfortable and sometimes dangerous, not suited for families, and also due to the decreasing technical and agonistic quality of the performances offered by teams.

Regarding this aspect, we can say England lives on a different planet. Starting from the 90's, English football managed to build its winning model around stadiums, also thanks to the direct and determinant intervention of the State with the Taylor report[5]: after this report was presented at the end of an inquiry on the dramatic insecurity of football stadiums, in 1990 the Football Trust (today named Football Foundation) was established; a government financed fund with the objective of building new stadiums or reconstructing the ones considered redeemable among the existing.

The revenues form stadiums of English teams, which approach 30%, is not even a close or reachable result by other major European leagues, not even by the German Bundesliga, which detains the record for stadium attendances, stadiums which are new or quite frequently restored but, contrarily to what happens in England, they are not thought to accommodate activities or initiatives which are not directly related to football occurrence. Regarding instead the supremacy on marketing and sponsorships, Germany is steadily at first place for the capacity of exploiting commercial earnings.

[5] G.TEOTINO, M.UVA

It is interesting now to understand the specific weight of the cost of labor (namely the weight of players' salaries) on the aggregate turnovers of football clubs.

From table 4 we can observe how Italy, for instance, has always suffered a pathological relation between salaries and revenues, reaching in 2001-2002 the astonishing percentage of 99%. Right at the end of that season an important reduction began, stressed by the consequences of the Calciopoli scandal, which seems it was interrupted few years ago. In 2007-2008 players' salaries sensibly increased by 34,6%, where, despite the increased revenues, the cost of labor still counted a 68% of the overall turnover. But starting from 2008-2009 we verify a positive turning point which brings the percentage to a 63%, reallocating Italy at the same level as Spain and England, which nevertheless suffered a decrease to 60%, but still in a better situation than France, still blocked at 75%. The only virtuous exception is represented by Germany, with an outstanding 52%.

Table 4: Incidence of cost of labor on aggregate revenues of the five major European leagues

Cost of Labor	England		Germany		Spain		Italy		France	
1998-1999	581	58%	317	55%	342	56%	512	72%	273	69%
1999-2000	710	62%	382	56%	390	54%	660	69%	324	53%
2000-2001	835	60%	447	54%	491	73%	868	85%	414	64%
2001-2002	1049	62%	553	53%	559	72%	1010	99%	441	69%
2002-2003	1131	61%	556	50%	607	72%	884	85%	467	68%
2003-2004	1205	61%	580	55%	608	64%	845	80%	450	69%
2004-2005	1166	59%	576	47%	658	64%	830	68%	437	63%
2005-2006	1269	62%	608	51%	739	64%	806	63%	541	59%
2006-2007	1440	63%	620	45%	822	62%	722	68%	619	64%
2007-2008	1511	62%	725	50%	900	63%	972	68%	703	71%

Source: Deloitte; data are in million euros

Therefore we can easily say that German football, under the financial balance aspect, represents the most virtuous one, also thanks to the capacity of containing the players' salaries weight. No debt loads, optimal equilibrium between costs and revenues, enough to allow the Bundesliga, at least once, in the 2007-2008 season, to beat the Premier League in the turnover match. Quite depressing the Italian football panorama, which in the last decade managed to register an operative loss equal to 1.385 billion euros, even one billion more than the next to the last country ranked, namely France, which was able to limit losses to 375 million euros. It is finally impossible to calculate the operative results of the Spanish League, as not all football clubs provide financial statement data to the public.

2.4 Turnover Comparisons of the main European football clubs

As the five major European leagues , also the main continental football clubs have increased their revenues during the 2007-2008 season, in a major measure with respect to the entire market. In fact, in the last decade the aggregate turnover of the first twenty European clubs has increased threefold. And in season 2008-2009 we have a further slight growth, namely 26 million euros (equal to 0,67%), which brought total revenues to 3,9 billion euros[6]. The majority of the top 20 clubs increased their turnover, and among the

[6] "*Deloitte football Money League"* available at the Deloitte website, www.deloitte.com

ones highlighted in decrease, it is important to observe that English clubs are penalized from the exchange rate: on June the 30, 2009 one sterling equaled 1,1741 euros with respect to a 1,2632 on June the 30, 2008. For the fifth year in a row the first ranked European club is Real Madrid, but without the collapse of the English sterling Manchester United, in the 2007-2008 and 2008-2009 season, could have operated a resounding surpass, even if temporary. In this way, as we can verify in table 4, Manchester United had to suffer the return of Barcelona, team which defeated the English club at the 2009 Champions League final in Rome. In the 2008-2009 top 20 European teams table, two new entries stand out: the German club Werder Bremen, finalist of the 2009 UEFA Cup edition (then named Europe League), and the English club Manchester City, which has immediately utilized the huge returns from the massive investments of the new owners, the sheiks from the Abu Dhabi United Group, with Mr. Mansour as president.

Table 5: Major European club's turnovers for the last 11 years in the five top European leagues

Turnovers related to the 2008/2009 season				
1.	Real Madrid	401.4	11. Hamburg	146,7
2.	Barcelona	365,5	12. Rome	146,4
3.	Manchester United	327	13. Lyon	139,6
4.	Bayern Munchen	289,5	14. Marseille	133,2
5.	Arsenal	263	15. Tottenham	132.7
6.	Chelsea	242,3	16. Shalke 04	124,5
6.	Liverpool	217	17. Werder Bremen	114,7
7.	Juventus	203,2	18. Borussia Dortmund	103,5
8.	Inter	196,5	19. Manchester City	102,2
9.	Milan	196,5	20. Newcastle	101

Source: Deloitte; data are in million euros

The economic data are extracted from the annual balance (sheet) of every club, relative to the 2008-2009 season. Revenues exclude those revenues deriving from the transfer of players, value added taxes and other revenues deriving from taxes. In some cases some rounding off was made on the values related to revenues in order to permit, always according to Deloitte's point of view, a more significant and homogeneous exam on the football business based on each team's analysis.

Table 6: Top 20 European club's Turnover composition (Source: Deloitte; data are in million euros)

Club	Broadcasting Rights		Stadim revenues		Sponsor and Marketing	
1 .Real Madrid	160.8	40%	101,4	25%	139.2	35%
2 .Barcelona	158.4	43%	95.5	26%	112.0	31%
3. Manchester Utd	117.1	36%	127.7	39%	82.2	25%
4. Bayern Munich	69.6	24%	60.6	21%	159.3	55%
5. Arsenal	89.0	34%	117.5	45%	56.5	21%
6.Chelsea	92.9	38%	87.4	36%	62.0	26%
7. Liverpool	87.6	40%	49.9	23%	79.5	37%
8. Juventus	132.2	65%	16.7	8%	54.3	27%
9. Inter	115.7	59%	28.2	14%	52.6	27%
10. Milan	99.0	50%	33.4	17%	64.1	33%
11. Hamburg	35.6	24%	55.5	38%	55.6	38%
12. Rome	86.9	59%	18.8	13%	40.7	28%
13. Lyon	68.1	49%	22.4	16%	49.1	35%
14. Marseille	65.6	49%	24.9	19%	42.7	32%
15. Tottenham	52.6	40%	46.3	35%	33.8	25%
16. Shalke 04	34.2	28%	29.2	23%	61.1	49%
17. Werder Bremen	61.2	54%	27.8	24%	25.7	22%
18. Borussia Dortmund	22.4	22%	22.2	21%	58.9	57%
19. Manchester City	56.7	55%	24.4	24%	21.1	21%
20.Newcastle	44.1	44%	34.1	34%	22.8	22%

For the first time Real Madrid manages to reach a 400 million euros turnover for the 2008-2009 season, with an increase of 10% with respect to the previous season (+35 millions). All this nevertheless the continuing negative international period of the team, which in the last seven editions of the Champions League has always been eliminated before quarter finals. As we mentioned in the introduction, the return of Florentino Perez as Real Madrid president in 2009 brought a magnificent summer transfer campaign, with an investment equal to 219 million euros in order to acquire, among others, brand-players which could re-launch Real Madrid's merchandising and marketing (in downturn after the good bye of the various Zidane, Beckham, and Ronaldo). Players as Cristiano Ronaldo and Kaka, world champions able to bring the team back to the top, or like Xabi Alonso and Benzema (and in the next summer campaign aspiring champions as Ozil and Di Maria), which however were not able to invert the routine in their first Spanish season. A straightforward question, now, is which virtuous levels will Real Madrid reach if it will combine victories in international sport fields, next to the innate capacity of generating revenues, thanks to the contribution of the most competent trainer nowadays, namely Josè Mourinho, considered to be the best in the matter of managing complex team situations, but most of all, the most winning trainer in the last decade.

Despite a debt load equal to 560 million euros, Real Madrid has a positive financial balance: operative earnings (from 2005 to 2009) equal to 134.4 million euros; a proportioned revenues subdivision: 40% from broadcasting rights, 35% from sponsorship and merchandising and 25% from the Santiago Bernabeu stadium; a great management organization able to face and solve financial issues which day by day characterize this industry.

If we give a look at Barcelona's data and its revenues repartition, we can notice how the situation is not so distant from Real Madrid's results: 43% from broadcasting rights, 31%

from commercial activities, 26% from the Camp Nou stadium. English teams instead are represented by seven teams among the twenty top European clubs (against five German, four Italian and two Spanish and French), and are specialized in the so-called "match day". In particular Manchester United and Arsenal obtain their principal earnings portion from stadium revenues: the 39% for the Red Devils and the 45% for the Gunners, thanks to their new stadiums, while for Chelsea and Liverpool the broadcasting rights earnings are still the first revenue voice (respectively 38% and 40%), but certainly nowhere close to the dependency levels of Italian teams, all of them scoring above 50%. As we can observe the stadium business is quite indispensable, also for those small-medium teams with a maximum capacity limited to 40-45 thousand seats.

In the analysis of top European clubs' turnovers it results inevitable to detect the extraordinary capacity of German clubs to generate commercial revenues. There is no club managing to reach Bayern Munchen's same scores for marketing and sponsorships: the 55% of the total, for an amount equal to 159.3 million euros. But also Shalke 04 and Borussia Dortmund wave around or above 50%.

From these data it is easy to remark how the scarce actual technical competitiveness of Italian clubs, with some occasional exception, is the direct consequence of their of earnings generating capacity. Giving a look at the expenditure side, differences are not so pronounced. The cost of labor has the same specific weight in almost all the countries, with the sole exception for Germany which manages to score around or even below 50%.

Comparing the revenues ranking with the final Champions League ranking, along with the final rankings of first division championships of the five main European leagues in the last four seasons, we can clearly say that turnovers greatly influence sport results. The clubs that manage to achieve victories are likely always the ones earning more. It is also true that this relation is ambivalent: winning clubs see their revenues increase in a significant measure during the next season. A prospective that finally applies to an Italian team: it is quite probable that the recent Champions League conquer in 2010 by Inter will guarantee a sensible percentage increase in the club's record turnover.

Anyhow, 19 championships on the 20 examined were won by a team classified among the first four positions in the turnover ranking (the only exception is Stuggart in 2006-2007) and 12 were won by the club with the highest turnover. Italy and England are the most rigid nations: the four richest teams are always the same in the examined period. In the Premier League, 15 on 16 spots were occupied by the "big four", while in the Serie A only one spot was left for the occasional outsider (Fiorentina twice, Udinese and Lazio). In Spain we have a sort of perfect duopoly, where only in the 2007-2008 season Villareal managed to occupy the second place to the detriment of Barcelona, who ended in third place.

In the Champions League the situation does not change. The semifinalist teams always result among the first four clubs with higher turnover in their respective countries (Villareal, Shalke 04 and Psv are the only exceptions) and, in large amount, among the first four for turnover supremacy at continental level.

2.5 Main economic determinants for football clubs

Having a look to football's primary sources of income, now we will overview the main areas which provide essential contributions to the economic abilities of football clubs, determining the competitiveness level of both clubs and national leagues.

2.5.1 Broadcasting Rights

The criterion by which broadcasting rights are sold, and therefore how the resulting revenues are distributed, is an essential element to discuss in order to determine both the financial and competitive outcomes which sensibly influence the strategic and sport achievements of football clubs.

Broadcasting rights in football are the rights to transmit football games on any television platform. The sale of these rights has been a crucial issue characterizing several debates, mainly due to the various problems it creates both under a legislative and economic point of view. In recent years we can think of several disagreements between teams and national leagues which have struggled on the exclusive control of the rights by the leagues. One of the most significant debates was registered in 1996, where the Dutch Football League assigned the broadcasting rights for the transmission of football matches to a new sports channel. Feyenoord F.C. (Rotterdam's football team) contested the contract arguing that the broadcasting rights should be property of the home team hosting the match. The league replied that the sale of the product represented the whole championship, not the single sport event and therefore the control of these broadcasting rights was due to who organized the entire tournament. In that occasion the Court of Amsterdam disclosed in favor of Feyenoord F.C. stating that the control of the broadcasting rights was due to the home teams and, in November 2002, the Dutch antitrust authorities definitely prohibited the collective sale of broadcasting rights by the league. Before The Netherlands, also Italy and Spain, respectively in 1999 and 1998, had adopted a decentralized sale system of broadcasting rights regarding championship matches where teams contracted directly with the television networks.

England instead experienced a different situation. The centralized sale of broadcasting rights by the Premier League (English football league) was debated in court by the Onice of Fair Trading (OFT) – the British antitrust authority – on the basis that it would create abnormal profits. The case was discussed in 1999 in front of the Restrictive Practices Court. In that occasion the OFT sustained the need of leaving the control of the transmission rights to the single teams of the matches held in their own stadium. The court instead disclosed in favor of the Premier League stating that the decentralization of the broadcasting rights sale would have compromised the Premier League's capacity to commercialize the championship as a whole, reducing profits of teams and hampering the maintenance of a reasonable competitive equilibrium between small and big football clubs.

Nowadays, the present situation suggests that the sale of broadcasting rights throughout European football is characterized by a centralized sale system. In France the Lamour law of 2003 determined the collective commercialization of broadcasting rights by the sport leagues, confirming the system already in use. In Germany the Deutsche Fussball League owns the broadcasting rights and sells them centrally. In England the Football Association of Premier League controls and sells the live broadcasting rights, the highlights and the international broadcasting rights collectively, which still remain property of the investing clubs. The sale is made through a repartition in 6 different packages with the restraint for a single television operator to acquire more than 5. The clubs may still contract the sale of those rights which are not included in the 6 different "packages", or also those rights which are acquired by a television operator, but are not used. Only in Spain football clubs individually sell their broadcasting rights. Nevertheless, starting from season 2003/2004, a group of minor teams from the Primera Liga and all the Segunda Liga teams negotiate the sale of their broadcasting rights collectively. The other major European football leagues sell their broadcasting rights collectively, except from Greece (from 2001-02) and Portugal.

With the collective sale of broadcasting rights, the Italian Serie A started its chase towards the English Premier League. Italy is the world country which presents the highest dependency from broadcasting rights. Today they represent 61% of total revenues. According to the survey conducted by a consulting sport business enterprise, SPORT+MARKT, the Premier League remains the championship with the higher revenues from the national sale of broadcasting rights, but the Serie A has relevantly increased its revenues with respect to the individual sale system adopted till last year (2009-10). In this special European ranking, the Italian Championship is located in second place, with sensibly higher national revenues with respect to Germany, France and Spain.

Source : SPORT+MARKT

“There is no doubt that at European level Italian football made a huge step forward with the collective sale of broadcasting rights” highlights Giorgio Brambilla, Marketing and Sales Manager from

SPORT+MARKT. “The new system will bring more money for all the clubs with respect to previous seasons and this will represent a crucial contribution in increasing the competitiveness of Italian clubs and, therefore, of the Italian Serie A in general”.

The survey also highlights that the relation between the most earning club and the less earning club will approximately be on average with European standards, while in the

Spanish league, where clubs individually negotiate their broadcasting rights, the unbalance towards top teams will contribute in maintaining a high gap between small and big clubs. Regarding the Spanish situation, Brambilla underlines: "Real Madrid and Barcelona earn much higher revenues from the sale of broadcasting rights than other clubs of the Liga, making the Spanish championship less attractive year by year. Fortunately in Italy, with the new sale system, this scenario was avoided."

Which is the best way of selling broadcasting rights? Probably there is no predefined correct answer to this question, as the two different scenarios – *centralized* collective system where the league contracts the sale of broadcasting rights with the television networks for all the teams, or individual *decentralized* system where each club individually contracts the sale of its home matches with the various TV networks – both imply positive and negative outcomes.

The best way in order to find the most suitable solution in order to guarantee both a competitive equilibrium and financial outcomes which satisfy all teams is to go over the main implications each type of system determines.

There are two different crucial matters related to the sale of broadcasting rights related to sport events. First of all, it is fundamental to understand who is the legitimate owner of such rights. The issue of choosing the best system is strictly dependent on if the single teams are recognized as legitimate owners of such rights. The other important aspect, in case of centralized broadcasting rights sale, is the scheme of revenue allocation determined by each national league. As a matter of fact, the league is totally free to decide how to allocate the broadcasting revenues among the various teams. Empirically, we can observe great variability in the allocation regulations of the major European football leagues, which have adopted the following systems:

- France: 73% of the revenues from the sale of broadcasting rights are divided in equal parts among all the teams; the remaining 27% instead is distributed according to the final rank of the championship;

- Germany: 50% of the revenues are equally divided, and the other 50% depend on the performance in the championship. More precisely, the 75% of these are distributed according to the final rank of the last three championships, while the remaining 25% exclusively on the basis of the final rank of the last championship;

- England: 50% of revenues divided in equal parts; 25% on the basis of the last championship's final rank; the other 25% instead distributed according to the television appearances[7].

One of the main arguments against the individual sale of broadcasting rights is that it excessively penalizes the smallest teams, sensibly hampering their survival. In fact, if we take a look at the First-*to-Last* relation –namely the relation between the team with the richest television contract and the one with the poorest contract- we can observe how this rate is definitely higher in Italy and Spain, which are the only 2 major European leagues that adopted the individual sale system.

Data regarding the Italian league show that in the 2002/2003 season the richest television contract was the one signed by F.C. Juventus with Tele+ for 54 million euros against the television contract signed by Piacenza for only 5.6 million euros, which is almost 1/10 of the contract signed by Juventus[8].

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[7] Source: Deloitte & Touche France, 2004

[8] Source: Federazione Italiana Giuoco Calcio, 2006

Further experiences in Italy and Spain created new doubts on the optimality of an individual broadcasting rights sale system. As a result, in 2002, the Italian Serie A started 10 days later from its initial starting date as a television union (Plus Media Trading) formed by eight of the smallest league teams still was not able to find a contractual agreement with one of the two Pay-TV (Stream and Tele+). The union finally managed to obtain a contract only thanks to an additional contribution of 6 million euros by six of the major teams. The consequence of this situation was also revealed the next year, where six of the smallest clubs formed their own television platform (Gioco Calcio TV). Nevertheless, even in 2003 the same issue occurred and only the intervention *in extremis* by the government managed to avoid a new delay in the start of the Italian Serie A[9]. A similar problem was experimented by the Spanish league La Liga in 2003 when several minor clubs threatened to delay the start of the championship in absence of a reasonable agreement for the sale of the broadcasting rights of the matches of *all* the teams.

As a result, we can highlight three principal effects which are crucial in determining the most convenient sale system. The first effect is the "contracting power": when broadcasting rights are sold collectively, the contractual power of clubs change with respect to the individual sale system. The *welfare* impact of this effect is ambiguous and depends on the relative level of contractual power of each club. The second is the "premium effect". If the exogenous premium which is related to the team performance is too small, the league could increase team incentives in investing on talents choosing a rule for the allocation of broadcasting revenues based on the performances of each team within the championship. The last effect is the "free-riding effect". When broadcasting rights are sold collectively, teams are less incentivized to invest as broadcasting revenues

[9] The Italian second division (Serie B) still started with a 1 week delay period.

are divided among all the clubs, and this effect gains even more magnitude in those leagues with a high number of participants.

When we keep in consideration these different effects, we can observe that the individual sell of broadcasting rights may be the most appropriate sale system in leagues with numerous participants; quite heterogeneous with respect to the contracting power of the various teams and with a relevant exogenous premium.

In conclusion, we can state that the system which will result as dominant depends on the developments of the three principal effects: the "negotiation power" effect – generated by the different negotiation power of the leagues with respect to single clubs - , the "premium effect" – due to the league's capacity to create an endogenous premium thanks to an adequate choice on revenue allocation schemes; and last but not least the "free-riding" effect – due to the fact that in a collective sale system teams do not internalize the impact of their investment decisions with respect to the ones of other clubs. From the combination of these effects depends the impact that each of the two systems has on the team's incentives to invest. After our analysis on the major European leagues, the results seem to suggest an individual sale system which would be socially preferable in sport leagues which are a) sufficiently large in terms of number of participants; b) sufficiently heterogeneous with respect to the negotiation power of clubs; c) where the contracting power of leagues resembles to the one of small teams; and d) with a conspicuous exogenous premium linked to team performances in the championship.

2.5.2 Salary Caps

Almost ten years have passed since the first concrete proposal regarding the establishment of a “salary cap” in European football. In professional sports, the salary cap (or wage cap) is the maximum sum a team can spend on salaries, and it can be established by player or by total sum of the team. In 1999 the UEFA assigned to an external commission the job of understanding and estimating the effective possibilities of applying the salary cap; the results of the elaboration were negative and the UEFA decided to undertake the path that would have brought to the introduction of European license system.

In American professional sport the salary cap, in the collective form that establishes a general expense limit regarding club’s player salaries, was introduced in the 80’s in NBA, the National Basket Association, and in the 90’s in NFL, the National Football League, the American Football League. In NFL the “hard cap” was adopted, meaning an insurmountable limit, fixed to 63% of the league’s aggregate revenues, not to be exceeded when compensating football players and staff. The NBA preferred instead a “soft cap” , system by which each single club should not spend more than 57% of aggregate earnings on salaries. It’s possible to exceed the cap only when, for each dollar in excess spent on remunerations, the same amount is paid to the league, amount which will be equally redistributed among the clubs who respect the limit (“luxury tax”).

It honestly represents a virtuous model, but actually there are some obstacles to the accomplishment of such a regulation in Italian and European football.

The main obstacle is represented by the various player unions, some of which maintain a substantial right of veto on whatever system reform. However, in Italy for instance there already exists a form of salary cap in the second football division (Serie B). In 2002 a commission elected by the league proposed norm regulations with regards to expenditure restraints both in Serie A and Serie B, upon which new rules as the salary cap. The Serie A, thanks to the strong opposition of F.C. Inter and F.C. Juventus, rejected the proposal, while the Serie B adopted the salary cap regulations. In practice, football clubs cannot pay players and technical staff gross compensations which amount to over 60% of the previous year's production value, with exceptions and gradual application reserved to those clubs who fell in second division or advanced from third to second division. In order to escape from any type of engagement with the players union, the Italian Football Federation (F.I.G.C.) did not adhere to the league's regulations. Therefore the eventual sanctions for a club can only be of an administrative nature. This is a crucial point in the discussion, as if the violations on salary caps brought disciplinary sanctions, there would be more certainty on the applicability of such regulations.

Probably another fundamental obstacle for European football is represented by the excessively high costs of labor with respect to turnovers. This is due not only to the single salaries which result being extremely high, but also to the exaggerated number of players on team and the enormous number of trainers being paid. For instance Italy holds the record for the number of Serie A exempted trainers in the last seasons: 25 in the seasons 2007-2009. England follows with 19, then we have Spain (14), Germany (9) and France (7). In two seasons the Serie A club owners changed 25 trainers, 65.5% of the total. An incredible waste of money. In Germany or England, an exempted or dismissed trainer has the possibility to train another club during the ongoing season, even if it's a club competing in the same championship. Not being permitted in Italy, this increases the unemployed trainers list with regularly paid salaries at the end of the month. As a result to this uncontrolled behavioral liberty of football clubs, it is clear that trainers associations, along with players unions, will oppose to any structural reform.

2.5.3 Property Stadiums

As we proceeded in our analysis several times we observed how crucial it is for European football clubs to own and properly manage stadiums, in order to efficiently exploit probably the major revenue source in football industry. Across the major European football leagues very precise and methodological stadium politics have always been adopted in order to activate indispensable additional revenue flows for owners or administrators, reaching and sustaining the highest competitiveness level possible.

Looking at the historical tendencies across Europe regarding the evolution of the stadium concept, we can observe how in Spain, for instance, in the last 15 years significant interventions were made (reconstructions) in more than 70 structures, and during the 90's a National Commission against violence in sport spectacles was established, after which regulations against violence were settled. From that moment, on a regular basis, in order to elevate the comfort and security standards, the needed modifications were slowly introduced and adopted.

England started its stadiums revolution after a huge tragedy happened in Hillsborough in 1989, tragedy which caused 95 dead people stomped by a massive uncontrolled crowd. This disaster started a virtuous process thanks to the report by judge Taylor, nominated by the English government to clarify the situation and to make recommendations in order to prevent such tragedies. Proposals which were translated into new regulations aimed at ameliorating stadiums, making them more secure, with a better control over the audience, punishments for violent people and modernized and more comfortable structures. The Football Trust was immediately established, financed by the State through the provision of the 2,5%, then increased to 3%, of the tax levy on activities connected to football, from bet agencies to other main football national institutions. A long term strategy which brought a strong revival for English football. In ten years the Football Trust has contributed with 170 million euros to finance projects for 15 new stadiums and 47 profound reconstructions, on which football clubs invested, on their part, more than 900 million pounds[10]. In the year 2000 the Football Trust was replaced by the Football Foundation, sustaining the football system with wider duties. Investments by football clubs did not change, instead they continued to invest sensibly.

Table 7: English club's direct investments in stadiums

Season	Premier League (A)	Championship (B)	League 1 (C1) e 2 (C2)	Total
2000-2001	160	27	8	195
2001-2002	144	29	18	191
2002-2003	133	27	16	176
2003-2004	178	15	9	202
2004-2005	164	15	6	185
2005-2006	204	20	9	233
2006-2007	127	14	20	161
2007-2008	134	43	10	187

Source: Deloitte; data are in million euros

[10] G.TEOTINO, M.UVA, "*La Ripartenza: analisi e proposte per restituire competitività all'industria del calcio in Italia*", Il Mulino-Arel, 2010

Also Germany lived a virtuous cycle. Thanks to the aid of the World Championship in 2006 investments by more than 2 billion euros were made on stadium structures and infrastructures, resulting in a thunderous increase in audience attendance across Bundesliga's stadiums. From the year 2000, year in which the organization of the World Championship was assigned, Germany registered an increase from 29.100 presences per match to an average above 42.600.

In Italy instead the organization of the 1990 World Championship was certainly not properly exploited as it should have been. An emblematic example refers to the Turin stadium "Delle Alpi", constructed for the occasion and dismantled only 18 years after. Now, thanks to the perseverance of F.C. Juventus, and to the aid of the public local administrations and of the Institute for the Sport Credit, a new and innovative stadium rose on its ruins.

The result of these different approaches to stadiums issues revealed devastating economic outcomes for Italian football.

Table 8: Revenues, attendance and filling rates of stadiums in the five major European leagues in the 2008-2009 season

Champioships	Revenues from stadiums 2004-2005	Revenues from stadiums	Average attendance per match	Filling rate of stadiums
Inghilterra	588*	700 (+19,1%)	35.600	92%
Germania	207	388 (+63,2%)	42.600	84%
Spagna	276	396 (+43,5%)	24.500	76%
Italia	172	185 (+7,5%)	25.117	53%
Francia	120	137 (+14,2%)	20.900	80%

Source: Deloitte; data are million euros

*they were 100 in 1991

We can say that with respect to the competing nations, Italy suffers from structure backwardness, from the difficult security management, from the progressive estrangement of the public, which registered a slight tendency change only in the last seasons thanks to the comeback in the Serie A of big teams from major cities, and from the incapacity of generating revenues from the management of stadiums, even at parity of attendance.

As we may have understood, unfortunately Italy is the most suffering country with respect to the evolution and implementation of new stadium concepts and development strategies. The most difficult period for Italian football refers to the 2006-2007 championship, after the Calciopoli scandal shock, with Juventus downgraded to Serie B and other major teams penalized. A season during which the Serie A suffered not only the shame of being in last position among the European top 5, but also of registering an average attendance lower than the Championship, the English second division[11]. After that historical minimum, scoring sensibly lower than 20.000 spectators per match, thanks to the comeback of important teams as Napoli, Genoa and Bologna, there was a slight revival which gave the possibility to catch up with Spanish attendance levels, but still remaining at sidereal distances from English and German standards. It results quite strange how Italy firmly dominated the attendance ranking in the season 1996-1997, with an average attendance of 30.900 spectators per match, while the Bundesliga achieved 29.500, the Premier League 28.400, the Spanish La Liga 24.200 (the most constant) and the French League 1 only 14.200.

[11] G.TEOTINO, M.UVA, "*La Ripartenza: analisi e proposte per restituire competitività all'industria del calcio in Italia"*, Il Mulino-Ariel, 2010

It results quite evident how Italian stadiums are old, uncomfortable, not functional, unsecure and quite frequently unreachable. This translates into the enormous gap with other competing European rivals, which manage to create impressive earnings from the correct and most profitable way of managing stadiums. We previously observed how the four principal Italian teams in the European club's turnover ranking regarding season 2008-2009 are located between the eighth and twelfth place. If we only take into consideration the revenues generated from stadiums Italian teams collapse to the eleventh, thirteenth, nineteenth and twentieth place. On top of that, if we enlarge the classification to other clubs outside the first twenty positions in the general evaluation, the situation would result even worse. Italian teams therefore have less spectators and for each spectator they earn less with respect to what competitors earn. This is due to the fact that, differently to what happens in other European countries, In Italy stadiums only host football matches, on average each fifteen days. Abroad instead stadiums have become home of commercial, social, cultural and recreational activities which go beyond the simple organization of the agonistic event.

Table 9: Incidence of Stadium revenues on total turnover in the five major European Leagues

Team	Average Attendance	Stadium Capacity	Filling Percentage	Stadium Revenues	Percentage on turnover
1.Manchester UTD (3)	75.300	75.800	99,3%	127,7	39%
2.Arsenal (5)	60.000	60.400	99,3%	117,5	45%
3.Real Madrid (1)	64.300	76.400	84,2%	101,4	25%
4.Barcellona (2)	66.800	98.800	67,6%	95,5	26%
5.Chelsea (6)	41.600	41.800	99,5%	87,4	36%
6.Bayern Monaco (4)	69.000	69.000	100%	60,6	21%
7.Amburgo (11)	54.800	57.000	96,1%	55,5	38%
8.Liverpool (7)	43.600	45.500	95,8%	49,9	23%
9.Tottenham (15)	35.900	36.500	98,3%	46,3	35%
10.Newcastle (20)	48.800	52.400	93,1%	34,1	34%
11.Milan (9)	59.700	80.000	74,6%	33,4	17%
12.Schalke 04 (16)	61.400	61.800	99,4%	29,2	23%
13.Inter (9)	55.300	80.000	69,1%	28,2	14%
14.Werder Brema (17)	40.400	45.00	89,9%	27,8	24%
15.Marsiglia (14)	52.300	57.300	91,3%	24,9	19%
16.Manch.City (19)	42.900	47.700	89,9%	24,4	24%
17.Lione (13)	37.400	40.500	92,3%	22,4	16%
18.Borussia D. (18)	74.800	80.700	92,7%	22,2	21%
19.Roma (12)	39.400	72.700	54,1%	18,8	13%
20.Juventus (8)	22.400	28.000	80%	16,7	8%

Source : Deloitte **The order of this ranking is based on the value of stadium's revenues. In parenthesis after each club is the position in the overall European turnover classification. Data are in million euros.**

All around Europe stadiums live seven days a week and the construction of the most recent ones ran parallel to the development of important urban and territorial requalification projects, not only bringing positive important image returns and new revenue opportunities to the managing clubs, but also direct and indirect positive economic spillovers on the areas where they were constructed. None of all this is recognizable in Italy. According to Luca Pancalli, president of the Italian Paralympic Committee, “in the stadiums sector we pay a 15 year lateness with respect to other countries, with a poor intervention organization, which most of the times is influenced by the necessity of respecting new legislative disposals… instead there is the need of reorganizing the situation in terms of new structural and functional terms”.

It result quite incredible to verify the influence of a new stadium on any club’s earnings since the first year after the inauguration. A stadium in which the public finally gets to enjoy the match according to adequate security and construction criteria, without any athletic tracks around the pitch and with the correct terrace inclinations. Stadiums in which you find bars, restoration points, hospitality areas for children, museums, club’s stores, along with other recreational and commercial activities, significantly enlarging club’s turnovers.

Also for those clubs which decided to reduce the total audience capacity, more (Benfica) or less (Shalke 04) sensibly, the impact of a new stadium on revenues seems quite extraordinary, already since the first year of use. But it is important to observe that while the Portuguese and German club could make use of the facilitations connected to the great events organized in their countries (the 2004 European Championship in Portugal and the 2006 World Championship in Germany), the English teams started the stadium revolution thanks to government measures and to the great benefits that could be exploited by all the movement, and most importantly without any State aids granted during the 90’s.

Table 10: The last five new stadiums realized by major European clubs and the immediately procured benefits

Club	Name of Stadium	Inauguration year	Cost of the work	Difference in capacity	Turnover difference
Schalke 04	Veltins Arena	2001-2002	190	-500	+64
Manch.City	City of Manchester	2003-2004	230	+13.000	+23
Benfica	Estadio da Luz	2003-2004	150	-11.000	+15
Arsenal	Emirates Stadium	2006-2007	640	+22.000	+72
Manch.Utd	Old Trafford*	2006-2007	65	+8.000	+73

Source: G.TEOTINO, M.UVA, "*La Ripartenza: analisi e proposte per restituire competitività all'industria del calcio in Italia*", Il Mulino-Ariel, 2010 ; data are in million euros

***Reconstructed**

Quite significant and indicative is the experience brought by Arsenal F. C.. The English club, which had to carry out a persuasive convincement work on the most traditionalist supporters (as the matter was to replace a suggestive and historical stadium like the Highbury), took the responsibility for an overall investment of 400 million pounds, entirely financed by private capital through the emission of two bonds (a fixed rate and a variable rate bond) with respectively a 21 and 23 years maturity for a total amount of 250 million pounds; the sale for five years of the "naming rights" for a 100 million total, and the sale of the legendary Highbury's surface, where 700 luxury apartments wer built, along with 12.000 squared-meters of commercial activities[12]. The new Emirates Stadium

[12] G.TEOTINO, M.UVA, "*La Ripartenza: analisi e proposte per restituire competitività all'industria del calcio in Italia*", Il Mulino-Ariel, 2010

hosts little more than 60 thousand spectators (seats always sold out with a 9.000 people waiting list); a significant increase was made for the seats reserved to business customers (from 400 to 7.100), and there are four different restaurants and various refreshment points. The average annual expense by spectators jumped up from 480 to 2.387 pounds. The earrings deriving from the stadium, since the inauguration of the new structure, grew from 48 to 119 million pounds, producing a net utility of about 50 millions. Although it provides a series of different activities based on the territory requests (cinemas and supermarkets instead of gyms and social centers), the English stadium model is prevalently a football-based model, where the management of the stadium is carried out by the football clubs, the owners of the structure. The ability of increasing the time length people spend in stadiums, and therefore to augment the spectator's propensity to consume, have always been essential benchmarks of English stadiums marketing strategies. A more advanced version of this model is offered by the Amsterdam Arena in the Netherlands, which is provided with concert areas, casinos, commercial areas involving different interests, not only the Ajax Football Club.

Basically there is no ideal model in order to realize a "productive" stadium, also because each model has to be adapted to the territorial reality, to the social and urban planning context, to the catchment area and to the same sport objectives of the football club utilizing a specific structure.

2.5.5 Merchandising and Sponsorship

Analyzing then the 8 most important international countries (Brazil, USA, India, China, Mexico, Argentina, Russia) we observe how in 2005 we find 580 million people interested to football , with an increase to' 710 millions in December 2008. If we consider the entire world population, the interested people are estimated to be 1.8 billion, instead the supporters, meaning the people who support a preferred team and therefore constantly follow football, European championships included, are approximately 1 billion and 100 million people. In first place according to appeal rankings around the world, we Find Real Madrid, Barcelona, Manchester United and Milan.
An overall analysis of the aggregate turnovers of football championships shows that the English Premier League in 2008-2009 earned 565 million euros, less than the German Bundesliga, which reached 618 million euros. The Italian championship with 369 million euros is half way in between Spain (460 millions) and France (269 millions).
In Italy the most important clubs are sensibly outdated in developing marketing strategies in accordance to their huge popularity. According to' Roberto Ghiretti, president of the Ghetti studio (probably the principal Italian company in sport marketing consulting and sport communication), "there is the necessity of an international marketing strategy, of the enlargement of the catchment area, an operation which has to be carried out through the ability of the Italian football to make a system. But instead it actually seems like there is no system continuity, a capacity of reasoning in terms of creative projecting in order to valorize the potentialities of communication and marketing of a product, namely football, which has no equals not only in the national sport panorama. To create an efficient system is the first objective, a process which should be enacted by all football clubs together, knowing that the advantages generated by the system are higher than the sum

of the ones generate by singles. Once a system philosophy is created, then it will be possible to exploit the benefits of the territory's single projects on creating new spaces, new services and inedited marketing opportunities". Unfortunately in Italy we have no long range planning, as it results achievable only if there are football clubs who know that, if they do not contribute in pursuing common wealth , individually they risk being nulled.
Create a system and create products: these are the main indications to consider in order to start going up again. Indications which can only be developed through an in-depth analysis of international markets and the analysis of other sport experiences, other countries of different clubs, in order to open to markets and competition at international level. The secret of the English system relies in the fact that the same type of culture, namely the attention to services delivered to the final customer, is remarkable also in all the second and third category clubs. In Germany, at the beginning of the years 2000, it has been created a league conceived as a service structure and with initiative capacities and a very solid autonomy with respect to the German football federation.
But marketing and merchandising have greater commercial success possibilities if there is the chance of enjoying a stadium which lives 365 days a year, something which results quite difficult in Italy (only example is the just launched Juventus Stadium).

"Nothing different from what has been adopted abroad now for several years, where also players actually become " a product". In America, for instance in NBA , it happens that players can go visit a randomly chosen supporter, only to say hello or maybe surprisingly say happy birthday.
Marco Brunelli, general director of the Italian league professionals said :" the German league is a holding, in which a division was born to sell the leagues' and clubs' brands around the world, a division which commercializes the broadcasting rights and a division

called Travel League, which initially developed services for football clubs and today operates on the market as one of the German Travel operators; it directly offers new services for supporters, as voyage packages and hospitality to those companies following German clubs around the world. Guide Tours Are offered in those stadiums which have a club history museum, other economically relevant resource for the most important clubs. Flavio Coccia, operative director of Insart (national institution for tourist researches) insists on the opportunity of " activating co-marketing synergies for sport and tourism promotion. If a club goes abroad to play a match , it can contemporarily promote its territory, for instance setting up sale stands of typical products, or installing advertisement panels with the writing "visit Italy" . The problem is to make the two systems communicate, football and tourism, which nowadays have no communication, in order to achieve higher wealth levels for both systems".

Getting into depth of business deals, we can verify how Italy does not suffer from sponsor on jerseys. Sport+Markt has calculated that in the six major European football markets (the usual 5 plus the Netherlands), the aggregate earnings in this field west From 395,5 millions in the 2009-2010 season, to' 470,6 in 2010-2011 (+19%) .

Table 11: Revenues generated from jersey sponsors in the five major European Leagues

Nazionalità	2007-2008	% su fatturato	2008-2009	2009-2010	2010-2011
Inghilterra	97,5	4%	85,5%	83,5	128
Germania	95,5	6,6%	102,9	108,6	118,5
Italia	71,8	5,1%	70,5%	74,1	65,9
Francia	50,2	5,1%	50	37,8	58,7
Spagna*	50,2	3,5%	42,2	48,6	57,5

Source: SPORT+MARKT; data are in million euros.

*data from the Spanish league are influenced by Barcelona's choice, which hosts on its jersey the Unicef logo for a charity operation.

Barcelona's history museum hosts an average of 1.200.000 visitors per year at an entrance fee of 17 euros per person, achieving earnings for 20.400.000 euros.
A critical point for Italian football is registered in the moment in which the brand is commercialized, meaning in the merchandising field. Italian football clubs cannot manage to cultivate supporters' passion and exploit the commercial potentiality. Marco Brunelli, general director of the Italian football league, states that "every year the football league or the Premier league choose a new objective to pursue, they provide the instruments, they form the interested people, they provide the best practices, and then each club realizes its project. At the end of the year the league collects the results and evaluates what can be done to ameliorate that specific sector, and most importantly communicates the results to the public through annual reports.
Among the most used justifications to explain the incapacity of producing commercial results through merchandising is the impossibility in Italy of protecting the brands, due to the excessive power of those commercialized forged materials which, without bearing any consequences, continue to be sold also thanks to the fact that the safeguard provided

by the actual law is not considered adequate. Therefore In my opinion there is the crucial need of reasoning on prices, which are frequently too harsh to sustain by average supporters, also considering the counter value offered in exchange . A solution, for instance, in order to limit the merely Italian forgery problem, could be to realize low cost merchandising product lines, the so said “reproductions”.

Chapter 3

UEFA Financial Fair Play

In September 2009, in order to ensure the game's welfare and encourage its protection, UEFA's Executive Committee consensually agreed upon a financial fair play program. Being sustained by the whole football system, its principal objectives are:

- to propose more regulation and coherence in club football finances;
- to lower burden on salaries and transfer fees and restrain inflationary repercussions;
- to sustain clubs in competing with(in) their revenues;
- to promote long-term investments regarding crucial sectors as youth sector and infrastructure;
- to preserve and conserve the long-term activities of European club football;
- to certify clubs respond to their obligations periodically.

Thanks to the above objectives UEFA clearly denotes its responsibility to continuously monitor and interpret the environment in which individual clubs compete , considering the inflationary impact of clubs' spending on salaries and transfer fees as a crucial issue to solve.

As the European football market continued its growth process, the market conditions were getting more difficult to sustain for clubs in Europe, and during the last seasons many football clubs have registered repeated, and intensifying, economic losses, negatively influencing clubs' abilities to generate revenues and their financial opportunities. Many clubs have experienced liquidity losses, resulting in delayed payments to other clubs, workers and social/tax dominions.

As a consequence, in accordance with the entire football system, UEFA realized and introduced significant and realizable measures in order to reach these objectives. One fundamental implication regards the liability for clubs, over a time span, to level their books or break even. This concept practically prohibits clubs to repeatedly spend more than the revenues they managed to generate, and clubs will necessarily have to respect their transfer and employee remuneration agreements at all time. Clubs which are majorly at risk and desert specific criterions will also need to provide supplementary details on budgets and financial strategies.

The adoption of the financial fair play provisions will be evaluated on a multi-year assessment in order to gain a wider view upon and within the continuously evolving European football system.

In May 2010 the UEFA Licensing and Fair Play Regulations were approved by the UEFA Executive Committee, along with the establishment of a Club Financial Control Panel aimed at verifying and determining if European football clubs respect the financial fair play conditions. These measures will manifest starting with the evaluation by the Club Financial Control Panel of all transfer and workers payables in the summer of 2011, with the break-even appraisal embodied for the end of the 2012 and 2013 business years and assessed during 2013/14.

In this section we will analyze the most crucial regulations regarding the achievement and maintenance of financial equilibrium within the European football market. Highlighting the most relevant articles in the UEFA Financial Fair Play Regulations we will observe their different economic and strategic implications that will soon be faced by European football clubs.

Reported below are the financial criteria contained in the different articles embedded in the UEFA FFP regulations, obviously citing the most significant ones regarding the object of the present work.

3.1 General Provisions

3.1.1 Scope of Application

"These regulations apply whenever expressly referred to by specific regulations governing a club competition to be played under the auspices of UEFA (hereinafter: UEFA club competitions).

These regulations govern the rights, duties and responsibilities of all parties involved in the UEFA club licensing system and define in particular the minimum financial criteria to be fulfilled by a club in order to be granted a licence by a UEFA member association to enter the UEFA club competitions.

These regulations further govern the rights, duties and responsibilities of all parties involved in the UEFA club monitoring process (part III) to achieve UEFA's financial fair play objectives, and define in particular:

a) the role and tasks of the Club Financial Control Panel, the minimum procedures to be followed by the licensors in their assessment of the club monitoring requirements, and the responsibilities of the licensee during the UEFA club competitions;

b) the monitoring requirements to be fulfilled by licensees that qualify for the UEFA club competitions." [13]

3.1.2 Objectives

"The regulations enacted by the UEFA Association aim to achieve financial fair play in UEFA competitions of a financial equilibrium are in particular:

a) to improve the economic and financial capability of the clubs, increasing their transparency and credibility;

b) to place the necessary importance on the protection of creditors by ensuring that clubs settle their liabilities with players, social/tax authorities and other clubs punctually;

c) to introduce more discipline and rationality in club football finances;

d) to encourage clubs to operate on the basis of their own revenues;

[13] UEFA Club Licensing and Financial Fair Play Regulations, Edition 2010, *Article 1*

e) to encourage responsible spending for the long-term benefit of football;

f) to protect the long-term viability and sustainability of European club football."[14]

3.2 Financial Criteria

3.2.1 Reporting entity and reporting perimeter

"1) The licence applicant must provide the licensor with the overall legal group structure, duly approved by management.

2) This document must include information on any subsidiary, any associated entity and any controlling entity up to the ultimate parent company and ultimate controlling party. Any associated company or subsidiary of such parent must also be disclosed.

3) The legal group structure must clearly identify the entity which is the member of the UEFA member association and also mention the following for any subsidiary of the license applicant:

a) Name of legal entity;

[14] UEFA Club Licensing and Financial Fair Play Regulations, Edition 2010, *Article 2*

b) Type of legal entity;

c) Information on main activity and any football activity;

d) Percentage of ownership interest (and, if different, percentage of voting power held);

e) Share capital;

f) Total assets;

g) Total revenues;

h) Total equity.

4) The licence applicant determines the reporting perimeter, i.e. the entity or combination of entities in respect of which financial information.

5) All compensation paid to players arising from contractual or legal obligations, all costs/proceeds of acquiring/selling a player's registration and all revenues arising from gate receipts must be accounted for in the books of one of the entities included in the reporting perimeter."[15]

[15] UEFA Club Licensing and Financial Fair Play Regulations, Edition 2010, *Article 46*

3.2.2 Annual financial statements

“1) Annual financial statements in respect of the statutory closing date prior to the deadline for submission of the application to the licensor and prior to the deadline for submission of the list of licensing decisions to UEFA must be prepared and submitted.

2) Annual financial statements must be audited by an independent auditor as defined in Annex V.

3) The annual financial statements must consist of:

a) a balance sheet;

b) a profit and loss account;

c) a cash flow statement;

d) notes, comprising a summary of significant accounting policies and other explanatory notes; and

e) a financial review by management.

4) The annual financial statements must meet the minimum disclosure requirements as set out in Annex VI and the accounting principles as set out in Annex VII. Comparative figures in respect of the prior statutory closing date must be provided.

5) If the minimum requirements for the content and accounting as set out in

paragraph 4 above are not met in the annual financial statements, then the licence applicant must prepare supplementary information in order to meet the minimum information requirements that must be assessed by an independent auditor as defined in Annex V."[16]

3.2.3 Financial statements for the interim period

"1) If the statutory closing date of the licence applicant is more than six months before the deadline for submission of the list of licensing decisions to UEFA, then additional financial statements covering the interim period must be prepared and submitted.

2) The interim period starts the day immediately after the statutory closing date and ends on a date within the six months preceding the deadline for submission of the list of licensing decisions to UEFA.

3) Interim financial statements must be reviewed or audited by an independent auditor as defined in Annex V.

[16] UEFA Club Licensing and Financial Fair Play Regulations, Edition 2010, *article 47*

4) The interim financial statements must consist of:

a) a balance sheet as of the end of the interim period and a comparative balance sheet as of the end of the immediately preceding full financial year;

b) a profit and loss account for the interim period, with comparative profit and loss accounts for the comparable interim period of the immediately preceding financial year;

c) a cash flow statement for the interim period, with a comparative statement for the comparable interim period of the immediately preceding financial year;

d) specific explanatory notes.

5) If the licence applicant did not have to prepare interim financial statements for the comparable interim period of the immediately preceding financial year, comparative figures may refer to the figures from the financial statements of the immediately preceding full financial year.

6) The interim financial statements must meet the minimum disclosure requirements as set out in Annex VI. Additional line items or notes must be included if their omission would make the interim financial statements misleading.

7) The interim financial statements must follow the same accounting policies as those followed for the preparation of the annual financial statements, except for accounting policy changes made after the date of the most recent full annual

financial statements that are to be reflected in the next annual financial statements – in which case details must be disclosed in the interim financial statements.

8) If the minimum requirements for the content and accounting as set out in paragraphs 6 and 7 above are not met in the interim financial statements, then the licence applicant must prepare supplementary information in order to meet the minimum information requirements that must be assessed by an independent auditor as defined in Annex V."[17]

3.2.4 No overdue payables towards football clubs

1) The licence applicant must prove that as at 31 March preceding the licence season it has no overdue payables (as defined in Annex VIII) that refer to transfer activities that occurred prior to the previous 31 December.

2) Payables are those amounts due to football clubs as a result of transfer activities, including training compensation and solidarity contributions as defined in the *FIFA Regulations on the Status and Transfer of Players*, as well as any

[17] UEFA Club Licensing and Financial Fair Play Regulations, Edition 2010, *article 48*

amount due upon fulfillment of certain conditions.

3) The licence applicant must prepare and submit to the licensor a transfer payables table, unless the information has already been disclosed to the licensor under existing national transfer requirements (e.g. national clearing house system). It must be prepared even if there have been no transfers/loans during the relevant period.

4) The licence applicant must disclose all transfer activities (including loans) undertaken up to 31 December, irrespective of whether there is an amount outstanding to be paid at 31 December. In addition, the licence applicant must disclose all transfers subject to a claim pending before the competent authority under national law or proceedings pending before a national or international football authority or relevant arbitration tribunal.

5) The transfer payables table must contain the following information as a minimum (in respect of each player transfer, including loans):

a) Player (identification by name or number);

b) Date of the transfer/loan agreement;

c) The name of the football club that formerly held the registration;

d) Transfer (or loan) fee paid and/or payable (including training compensation and solidarity contribution);

e) Other direct costs of acquiring the registration paid and/or payable;

f) Amount settled and payment date;

g) The balance payable at 31 December in respect of each player transfer including the due date for each unpaid element;

h) Any payable as at 31 March (rolled forward from 31 December) including the due date for each unpaid element, together with explanatory comment; and

i) Conditional amounts (contingent liabilities) not yet recognised in the balance sheet as of 31 December.

6) The licence applicant must reconcile the total liability as per the transfer payables table to the figure in the financial statements balance sheet for 'Accounts payable relating to player transfers' (if applicable) or to the underlying accounting records. The licence applicant is required to report in this table all payables even if payment has not been requested by the creditor.

7) The transfer payables table must be approved by management and this must be evidenced by way of a brief statement and signature on behalf of the executive body of the licence applicant."[18]

[18] UEFA Club Licensing and Financial Fair Play Regulations, Edition 2010, *article 49*

3.2.5 No overdue payables towards employees and social/tax authorities

“1) The licence applicant must prove that as at 31 March preceding the licence season it has no overdue payables (as defined in Annex VIII) towards its employees or social and tax authorities as a result of contractual and legal obligations towards its employees that arose prior to the previous 31 December.

2) Payables are those amounts due to employees or social and tax authorities as a result of contractual or legal obligations towards employees. Amounts payable to people who, for various reasons, are no longer employed by the applicant fall within the scope of this criterion and must be settled within the period stipulated in the contract and/or defined by law, regardless of how such payables are accounted for in the financial statements.

3) The term “employees” includes the following persons:

a) All professional players according to the applicable *FIFA Regulations on the Status and Transfer of Players*; and

b) The administrative, technical, medical and security staff specified in Articles 28 to 33 and 35 to 39.

4) The licence applicant must prepare a schedule showing all employees who were

employed at any time during the year up to the 31 December preceding the licence season; i.e. not just those who remain at year end. This schedule must

be submitted to the licensor.

5) The following information must be given, as a minimum, in respect of each

employee:

a) Name of the employee;

b) Position/function of the employee;

c) Start date;

d) End date (if applicable);

e) The balance payable as at 31 December, including the due date for each

unpaid element; and

f) Any payable as at 31 March (rolled forward from 31 December), including the

due date for each unpaid element, together with explanatory comment.

6) The employees schedule must be approved by management and this must be

evidenced by way of a brief statement and signature on behalf of the executive

body of the licence applicant.

7) The licence applicant must reconcile the total liability as per the employee

schedule to the figure in the financial statements balance sheet for ‘Accounts

payable towards employees’ (if applicable) or to the underlying accounting

records.

8) The licence applicant must submit to the auditor and/or the licensor the necessary documentary evidence showing the amount payable (if any), as at 31 December of the year preceding the licence season as well as any payable as at 31 March (rolled forward from 31 December), to the competent social/tax authorities as a result of contractual and legal obligations towards its employees."[19]

3.2.6 Written representations prior to the licensing decision

"Within the seven days prior to the start of the period in which the licensing decision is to be made by the First Instance Body, the licence applicant must make written representations to the licensor.

2) The written representations must state whether or not any events or conditions of major economic importance have occurred that may have an adverse impact on the licence applicant's financial position since the balance sheet date of the preceding audited annual financial statements or reviewed interim financial statements (if applicable).

3) If any events or conditions of major economic importance have occurred, the

[19] UEFA Club Licensing and Financial Fair Play Regulations, Edition 2010, *article 50*

management representations letter must include a description of the nature of the event or condition and an estimate of its financial effect, or a statement that such an estimate cannot be made.

4) Approval by management must be evidenced by way of a signature on behalf of the executive body of the licence applicant."[20]

3.2.7 Future financial information

"1) The licence applicant must prepare and submit future financial information in order to demonstrate to the licensor its ability to continue as a going concern until the end of the licence season if it has breached any of the indicators defined in paragraph 2 below.

2) If a licence applicant exhibits any of the conditions described by indicator 1 or 2, it is considered in breach of the indicator:

a) Indicator 1: *Going concern*

The auditor's report in respect of the annual or interim financial statements submitted in accordance with Articles 47 and 48 includes an emphasis of

[20] UEFA Club Licensing and Financial Fair Play Regulations, Edition 2010, *article 51*

matter or a qualified opinion/conclusion in respect of going concern.

b) Indicator 2: *Negative equity*

The annual financial statements (including, where required, the supplementary information) submitted in accordance with Article 47 disclose a net liabilities position that has deteriorated relative to the comparative figure contained in the previous year's annual financial statements, or the interim financial statements submitted in accordance with Article 48 (including, where required, the supplementary information) disclose a net liabilities position that has deteriorated relative to the comparative figure at the preceding statutory closing date.

3) Future financial information must cover the period commencing immediately after the later of the statutory closing date of the annual financial statements or, if applicable, the balance sheet date of the interim financial statements, and it must cover at least the entire licence season.

4) Future financial information consists of:

a) a budgeted profit and loss account, with comparative figures for the immediately preceding financial year and interim period (if applicable);

b) a budgeted cash flow, with comparative figures for the immediately preceding financial year and interim period (if applicable);

c) explanatory notes, including a brief description of each of the significant assumptions (with reference to the relevant aspects of historic financial and other information) that have been used to prepare the budgeted profit and loss account and cash flow statement, as well as of the key risks that may affect the future financial results.

5) Future financial information must be prepared, as a minimum, on a quarterly basis.

6) Future financial information must be prepared on a consistent basis with the audited annual financial statements and follow the same accounting policies as those applied for the preparation of the annual financial statements, except for accounting policy changes made after the date of the most recent annual financial statements that are to be reflected in the next annual financial statements – in which case details must be disclosed.

7) Future financial information must meet the minimum disclosure requirements as set out in Annex VI. Additional line items or notes must be included if they provide clarification or if their omission would make the future financial information misleading.

8) Future financial information with the assumptions upon which they are based must be approved by management and this must be evidenced by way of a brief

statement and signature on behalf of the executive body of the reporting entity."[21]

3.3 UEFA Club Montoring

3.3.1 Scope of application and exemption

"1) All licensees that have qualified for a UEFA club competition must comply with the monitoring requirements, i.e. with the break-even requirement (Articles 58 to 63) and with the other monitoring requirements (Articles 64 to 68).

2) The following clubs are exempt from the break-even requirement:

a) a club that qualifies for a UEFA club competition on sporting merit and is granted special permission as defined in Article 15;

b) a licensee that demonstrates it has relevant income and relevant expenses (as defined in Article 58) below EUR 5 million in respect of each of the two reporting periods ending in the two years before commencement of the UEFA club competitions. Such an exemption decision is taken by the Club Financial Control Panel and is final.

3) If a licensee's annual financial statements are denominated in a currency other

[21] UEFA Club Licensing and Financial Fair Play Regulations, Edition 2010, *article 52*

than euros, then to determine whether it should be exempt or not from the breakeven requirement, the relevant figures must be converted into euros at the average exchange rate of the reporting period, as published by the European Central Bank.

4) If the reporting period for the annual financial statements is greater or less than 12 months, then the threshold of EUR 5m (relevant income/relevant expenses) is adjusted up or down according to the length of the reporting period. The flexed threshold level is then compared to the licensee's relevant income and relevant expenses as appropriate."[22]

3.3.2 Break-even Requirement

3.3.2.1 Notion of relevant income and expenses

"1) Relevant income is defined as revenue from gate receipts, broadcasting rights, sponsorship and advertising, commercial activities and other operating income, plus either profit on disposal of player registrations or income from disposal of

[22] UEFA Club Licensing and Financial Fair Play Regulations, Edition 2010, *article 57*

player registrations, excess proceeds on disposal of tangible fixed assets and finance income. It does not include any non-monetary items or certain income from non-football operations.

2) Relevant expenses is defined as cost of sales, employee benefits expenses and other operating expenses, plus either amortisation or costs of acquiring player registrations, finance costs and dividends. It does not include depreciation/impairment of tangible fixed assets, amortisation/impairment of intangible fixed assets (other than player registrations), expenditure on youth development activities, expenditure on community development activities, any other non-monetary items, finance costs directly attributable to the construction of tangible fixed assets, tax expenses or certain expenses from non-football operations.

3) Relevant income and expenses must be calculated and reconciled by the licensee to the annual financial statements and/or underlying accounting records, i.e. historic, current or future financial information as appropriate.

4) Relevant income and expenses from related parties must be adjusted to reflect the fair value of any such transactions.

5) Relevant income and expenses are further defined in Annex X."[23]

[23] UEFA Club Licensing and Financial Fair Play Regulations, Edition 2010, *article 58*

3.3.2.2 Notion of monitoring period

"A monitoring period is the period over which a licensee is assessed for the purpose of the break-even requirement. As a rule it covers three reporting periods:

a) the reporting period ending in the calendar year that the UEFA club competitions commence (hereinafter: reporting period T), and

b) the reporting period ending in the calendar year before commencement of the UEFA club competitions (hereinafter: reporting period T-1), and

c) the preceding reporting period (hereinafter: reporting period T-2).

As an example, the monitoring period assessed in the licence season 2015/16 covers the reporting periods ending in 2015 (reporting period T), 2014 (reporting period T-1) and 2013 (reporting period T-2).

2 By exception to this rule, the first monitoring period assessed in the licence season 2013/14 covers only two reporting periods, i.e. reporting periods ending in 2013 (reporting period T) and 2012 (reporting period T-1)."[24]

[24] UEFA Club Licensing and Financial Fair Play Regulations, Edition 2010, *article 59*

3.3.2.3 Notion of break-even result

1) The difference between relevant income and relevant expenses is the breakeven result, which must be calculated in accordance with Annex X for each reporting period.

2) If a licensee's relevant expenses are less than relevant income for a reporting period, then the club has a break-even surplus. If a club's relevant expenses are greater than relevant income for a reporting period, then the club has a breakeven deficit.

3) If a licensee's financial statements are denominated in a currency other than euros, then the break-even result must be converted into euros at the average exchange rate of the reporting period, as published by the European Central Bank.

4) The aggregate break-even result is the sum of the break-even results of each reporting period covered by the monitoring period (i.e. reporting periods T, T-1 and T-2).

5) If the aggregate break-even result is positive (equal to zero or above) then the licensee has an aggregate break-even surplus for the monitoring period. If the aggregate break-even result is negative (below zero) then the licensee has an

aggregate break-even deficit for the monitoring period.

6) In case of an aggregate break-even deficit for the monitoring period, the licensee may demonstrate that the aggregate deficit is reduced by a surplus (if any) resulting from the sum of the break-even results from the two reporting periods prior to T-2 (i.e. reporting periods T-3 and T-4)."[25]

3.3.2.4 Notion of acceptable deviation

"1) The acceptable deviation is the maximum aggregate break-even deficit possible for a club to be deemed in compliance with the break-even requirement as defined in Article 63.

2) The acceptable deviation is EUR 5 million. However it can exceed this level up to the following amounts only if such excess is entirely covered by contributions from equity participants and/or related parties:

a) EUR 45 million for the monitoring period assessed in the licence seasons 2013/14 and 2014/15;

b) EUR 30 million for the monitoring period assessed in the licence seasons

[25] UEFA Club Licensing and Financial Fair Play Regulations, Edition 2010, *article 60*

2015/16, 2016/17 and 2017/18;

c) a lower amount as decided in due course by the UEFA Executive Committee for the monitoring periods assessed in the following years.

3) Contributions from equity participants and/or related parties (as specified in Annex X D) are taken into consideration when determining the acceptable deviation if they have occurred and been recognised:

a) in the financial statements for one of the reporting periods T, T-1 or T-2; or

b) in the accounting records up to 31 December of the year of the reporting period T.

The onus is on the licensee to demonstrate the substance of the transaction, which must have been completed in all respects and without any condition attached. An intention or commitment from owners to make a contribution is not sufficient for such a contribution to be taken into consideration.

4) If contributions from equity participants and/or related parties occurring up to 31 December of the year in which the UEFA club competitions commence are recognised in a club's reporting period T+1 and have been taken into consideration to determine of the acceptable deviation in respect of the monitoring period (T-2, T-1 and T) assessed in the licence season commencing in that same calendar year, then for later monitoring periods the contributions will

be considered as having been recognised in reporting period T."[26]

3.3.2.5 Break-even information

"By the deadline and in the form communicated by the UEFA administration, the licensee must prepare and submit:

a) the break-even information for the reporting period T-1;

b) the break-even information for the reporting period T-2, if not already previously submitted;

c) the break-even information for the reporting period T, if it has breached any of the indicators defined in paragraph 3 below:

2) The break-even information must:

a) concern the same reporting entity as that for club licensing as defined in Article 46;

b) be approved by management, as evidenced by way of a brief statement confirming the completeness and accuracy of the information, and signature on behalf of the executive body of the licensee.

[26] UEFA Club Licensing and Financial Fair Play Regulations, Edition 2010, *article 61*

3) If a licensee exhibits any of the conditions described by indicators 1 to 4, it is considered in breach of the indicator:

i) Indicator 1: *Going concern*

The auditor's report in respect of the annual financial statements (i.e. reporting period T-1) and/or interim financial statements (if applicable) submitted in accordance with Articles 47 and 48 includes an emphasis of matter or a qualified opinion/conclusion in respect of going concern.

ii) Indicator 2: *Negative equity*

The annual financial statements (i.e. reporting period T-1) submitted in accordance with Article 47 disclose a net liabilities position that has deteriorated relative to the comparative figure contained in the previous year's annual financial statements (i.e. reporting period T-2), or the interim financial statements submitted in accordance with Article 48 disclose a net liabilities position that has deteriorated relative to the comparative figure at the preceding statutory closing date (i.e. reporting period T-1).

iii) Indicator 3: *Break-even result*

The licensee reports a break-even deficit as defined in Article 60 for either or both of the reporting periods T-1 and T-2.

iv) Indicator 4: *Overdue payables*

The licensee has overdue payables as of 30 June of the year that the UEFA club competitions commence as further defined in Articles 65 and 66.

4) In addition, the Club Financial Control Panel reserves the right to ask the licensee to prepare and submit additional information at any time, in particular if the annual financial statements reflect that:

a) employee benefits expenses exceed 70% of total revenue; or

b) net debt exceeds 100% of total revenue."[27]

3.3.2.6 Fulfillment of the break-even requirement

"1) The break-even requirement is fulfilled if no indicator (as defined in Article 62(3)) is breached and the licensee has a break-even surplus for reporting periods T-2 and T-1.

2) The break-even requirement is fulfilled, even if an indicator (as defined in Article 62(3)) is breached, if:

a) the licensee has an aggregate break-even surplus for reporting periods T-2, T-1 and T; or

[27] UEFA Club Licensing and Financial Fair Play Regulations, Edition 2010, *article 62*

b) the licensee has an aggregate break-even deficit for reporting periods T-2, T-1 and T which is within the acceptable deviation (as defined in Article 61) having also taken into account the surplus (if any) in the reporting periods T-3 and T-4 (as defined in Article 60(6)).

3) The break-even requirement is not fulfilled if the licensee has an aggregate break-even deficit for reporting periods T-2, T-1 and T exceeding the acceptable deviation (as defined in Article 61) having also taken into account the surplus (if any) in the reporting periods T-3 and T-4 (as defined in Article 60 (6)).

4) If the break-even requirement is not fulfilled then, having also taken into consideration other factors defined in Annex XI, the Club Financial Control Panel may refer the case to the Organs for Administration of Justice, which will take the appropriate measure(s) without delay in accordance with the procedure defined in the *UEFA Disciplinary Regulations* for urgent cases."[28]

[28] UEFA Club Licensing and Financial Fair Play Regulations, Edition 2010, *article 63*

Chapter 4

Applicability and Sustainability of Fair Play Regulations

When Barcelona 's exceptional players challenged Sir Alex Ferguson's Manchester United in the Champions League final on Saturday May 28, 2011, the exuberant economic opportunity – with its £225 match tickets – has illuminated the two faces of UEFA at a critical watershed for the game.

The last UEFA Champions League Final represented the last showpiece match before "financial fair play" is introduced the following season, with UEFA's prescription to restrain an overeating money sport. With this innovation UEFA is determined to save the game's soul from major world magnates.

If we give a look at the income distribution for the competing clubs – £40m to the beaten quarter-finalists United last season; £28m to Chelsea; £29m to Arsenal; £25m to Liverpool, £43m to José Mourinho's winners F.C. Internazionale – we denote how this allocation hugely cements the wealth and dominance of a few already rich clubs.

This football contradiction is there in Michel Platini , the UEFA president, head of a Swiss international football governing body, but seems honest when he says "we must protect football from business".

Barcelona and Manchester United also embody identity crises. On the one hand United, great Premier League club on which the American owners, the Glazer family, have loaded the £500m debt and ongoing costs (£350m so far) of their own undertaking, yet where Ferguson has proved himself once again to be a master of classic football management.

On the other hand we find Barcelona, still member-owned but whose achievements are consolidated by Spanish football which, as we previously analyzed, allows individual clubs to sell their own TV rights, hence Barcelona's and Real Madrid's earnings resulting way higher the rest of La Liga. And if also that level of income results not enough, from next season the club representing Catalan pride will show across its jerseys the name Qatar Foundation, one of the richest states today which is buying branding across world football.

Thanks to the new financial fair play regulations now upon Europe's major national and continental championships, clubs must diligently manage and control their spending in order to comply with break-even requirements. Nevertheless, it is not clear whether UEFA has thought about two of its potentially negative consequences.

The first possible negative outcome is that if clubs are no longer allowed to rely on the liquidity injections from owners, then those who realize the most income without owners' help could result even more certain winners of the game's premium. The second is that clubs will try to further expand their revenues, leading to high-priced ticket, as happening in England, with rises announced at Manchester United, Arsenal and Liverpool.

Financial fair play, then, is possibly only the starting point of a reshaping mechanism, affecting the game's financial frontiers, with a higher revenue sharing. The rules were introduced, with laudable political competences, as a practical solution to football's financial overkill.

As Mr. Platini became president of the UEFA Association in 2007 he harshly criticized the “over-commercialism”, also said " *ultra-liberalisme* " (free-market zeal) and what he called "financial doping", but his managers, guided by the general secretary, Gianni Infantino, realized they could not merely regulate against debt which, unlike the Glazers' financial disruption, can be both well-managed and compulsory for investment.

Bravely following its logic and trusting its constitutional authority to establish regulations, UEFA decided it could not permit clubs to achieve enormous losses, even where there are prosperous owners ready to finance them.

We can point out two different reasons for this. First, if football clubs become so subordinated to their owners’ financial possibilities, they fall into a sensible survival-threatening issue if owners desert or lose their wealth. This situation was verified at Portsmouth, when Sacha Gaydamak's money ended, West Ham United when Bjorgolfur Gudmundsson's billions were gone away, at Manchester City under the corruption convict Thaksin Shinawatra, and at many other clubs at all levels.

Second, also in the situations where football clubs are backed up by enormously wealthy owners as City under Sheikh Mansour of Abu Dhabi, UEFA argues that the money paid to players enlarge the wages all clubs have to pay. This virtuous cycle is quite clear in England where, as revealed by the English newspaper “The Daily Telegraph”, the Premier League clubs during the last year recorded a quite significant 2.1 billion pounds in revenues, but spent on average around 68% on wages, and 16 of the 20 clubs registered losses, £484m in total.

Therefore the regulations enacted by UEFA, which allow clubs only to lose €45m (£39m) on aggregate from 2011-14, and without the possibility of relying on owner funding, embed as punishment the exclusion from its competitions.

Platini can fairly be satisfied by such a major achievement in seeing those regulations introduced, but the probable issues related to financial fair play are already coming into view. United, with 286 million pounds, had the largest turnover level in England last year, third in Europe after Barcelona, with 346 million pounds, and Real Madrid, who managed to reach 382 million. The income related to the UEFA Champions League, as UEFA specifies, is a narrow part of the richest clubs' aggregate income, but it does reinforce their separation from the rest.

UEFA is certainly correct when they affirm that allowing owners to take punts on clubs is an unsustainable measure in the matter of encouraging competition, but another solution will have to be detected. The 500 million pounds Mansour has spent in a three year period have significantly helped Manchester City to move six places up the Premier League from the ninth they were in when former president Thaksin resigned, and win the FA Cup. It results quite abnormal for other clubs to economically compete with major financial injections by magnates owners just to manage to enter European championships.

If we try, for instance, to predict Premier League's top six for next season, we could quite safely imagine that the result will be the same as last season's, namely the clubs with the highest incomes: Manchester United (who earned 60 million pounds from the sale of TV rights in the 2010-11 Premier League), Chelsea (£57m), Manchester City (£55m), Arsenal (£56m), Tottenham (£53m) and Liverpool (£55m). The main reason why the low-ranking battles, with respect to the battle for the title or top-four challenge, are quite unpredictable and uncertain till the last championship matches, is that minor clubs in the Premier League are more financially balanced and therefore competitive with each other.

Hence in my opinion Platini's first thought is to consider how the rules, well-intentioned as they are, can be prevented from cementing European football into a victors' parade for those clubs with the highest financial power.

Hence, a straightforward question could be raised: will the new financial fair play regulations enacted by UEFA really work? Will they impede clubs like Manchester City, Real Madrid, Chelsea and Barcelona from spending tons of millions on new players every year, maintaining a competitive equilibrium?

In theory, these new financial rules will enable a long term stability for European clubs, protecting them from present economic difficulties. However, as with any regulatory enactment, there are likely to be loopholes which will most likely be exploited by European clubs.

For instance, what is to stop the Glazer family or Sandro Rossell from arranging a massive sponsorship deal for Manchester United or Barcelona? Their coming deal could be a 500 million pounds sponsor agreement, with the possibility of getting in the transfer market and spend a lot of millions without any restriction or fear of punishment. Furthermore, clubs could decide to sell hospitality or VIP tickets for enormous quantities of cash.

I am quite certain that UEFA will probably say this situation is not possible, and that they will take charge of any abnormal transaction. But a commodity, be it a ticket or a football player, is worth what people are willing to pay for it. I don't think there would be an awful lot that Europe's governing body could do regarding this. UEFA also states that in the moment in which clubs do not perform within the provided financial guidelines, they will be excluded from their continental championships. Can you actually see that happening? Can you see major clubs like Chelsea, Manchester United, Inter or Barcelona banned from the Champions League from the UEFA for excessive spending, particularly in the same season? I think it results highly unreal and quite unlikely. A possible outcome could result in a battle between the governing body and football clubs, putting at stake the execution of an European Super League.

Conclusions

The new financial regulatory policies enacted by UEFA mark a crucial turning point in the football sector. Thanks to the enormous efforts conducted by UEFA, showing all the concern of the European governing body to address present financial issues that hamper the game, the main goal to score is to guarantee financial protection and long term viability to European football clubs. This fundamental condition is necessary in order to restore football's credibility primarily in the eyes of supporters, without which the entire football system would surely collapse.

However, in my opinion the application of Fair Play Regulations presents some points which result to be possible challenges still to be faced by the entire system. Indeed, for instance, the exclusion of certain types of income, or non-football income (not deriving from football operations) in the respect of the break-even requirement may not be sustainable for all football clubs, majorly for the smallest ones which sensibly rely on different income sources in order to comply with competitive requirements. Another possible challenge could be represented by the significant risk that the dominance of the most powerful football clubs could be enhanced, while the meaningful financial instability of smaller clubs acting in lower divisions does not seem to be addressed. This situation could probably lead to sensible impairment effects for weaker clubs, limiting their capacity of to become stronger.

Nevertheless, I hugely respect and appreciate the efforts brought by UEFA for the establishment of a fair financial football system. Even if they are still to be practically verified and respected, it is probable that without these regulatory implementations the football sector would slowly reach a point of no return, denying maybe the most significant entertainment activity for a massive portion of the world population.

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