UEFA Financial Fair Play

- A legal and economic analysis of UEFA's Financial Fair Play Regulations' effect on the competition in European football

(En juridisk og økonomisk analyse af UEFA's Financial Fair Play Regulations effekt på konkurrencen i europæisk fodbold)

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Executive Summary

In this thesis, the UEFA Financial Fair Play (FFP) regulations and its effect on the competition in European football have been studied. The purpose has been to figure out the legal position of the FFP regulations in connection with European Union (EU) competition law and to analyse how the break-even principle from the FFP regulations affect the competition in the top 5 leagues in Europe.

The legal analysis goes through the objectives behind the regulations and the measures taken from UEFA. By using EU's White Paper on sport and case law, the analysis establish the connection between EU law and sport regulations. The FFP regulations' possible violation of TFEU article 101 is therefore examined in detail. Through this examination, we see signs of salary cap tendencies, which then are analysed in connection to EU law and sports. To establish the effect of the regulations, an assessment of the state of the clubs and other related parties will address their situation after the introduction of the new regulations. From a legal perspective the regulations are in violation of TFEU article 101, 1, though with the exceptions for sports in EU's White Paper on sports it could be exempted for being for the good of the sport.

The economic analysis focus on the break-even rules in the FFP regulations. To see the effect of the regulations, an analysis of the competitive balance (CB) in the top 5 leagues in Europe is made. Combining this analysis with the revenue streams from the top 2 clubs in each of the five countries, the impact of the Champions League payment distribution, particularly the market pool share, stands out. The income generated from participating in Champions League have a significant impact on the CB. Resulting in an evaluation of whether or not UEFA can claim to the EU Commission, that the FFP regulations are in the best interest for the sport. Concluding from an economic point of view, that the FFP regulations with the current distribution of Champions League payment is not improving the CB and is therefore not in the interest of the sport.

Finally, the thesis combines the legal and economic analysis in an integrated part. Here the most critical concerns and issues are raised. Followed by an assessment of the future of the FFP regulations and the competition in European top football. UEFA is given recommendations on how they should use the regulations and change the distribution for participation in Champions League, in order to create a better competition and to secure the survival of FFP.

Definitions and abbreviations

UEFA – United European Football Association

FFP – Financial Fair Play

EU – European Union

CL – Champions League

EL – Europa League

TFEU – Treaty of the Functioning of the European Union

CB – Competitive Balance

UOH – The uncertainty-of-outcome hypothesis

CFCB – Uefa Club Financial Control Body

ECA – European Club Association

PFSC – Professional Football Strategy Council

EPFL – European Professional Football Leagues

FIFPro - Fédération Internationale des Associations de Footballeurs Professionnels

ECJ – European Court of Justice

IGF – Industry Growth Fund

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1. Introduction

In the last decades, the financial climate in football has changed drastically with increased revenues through sponsorships, merchandising and broadcasting deals. Even though the income has increased, the expenses through wages and transfer fees has grown even more. National leagues and international federations have discussed measures to stop it from getting out of hand. Years of big investments and low returns, with 50 percent of clubs losing money every year, UEFA decided to make some new regulations in order to create a sustainable business model for clubs competing in the UEFA club competitions.

In 2009, the UEFA financial control panel made the first steps towards what is now known as UEFA financial fair play principle (FFP). Making a set of rules, which are to work as a prerequisite for clubs to be able to take part in the UEFA club competitions, The Champions League (CL) and the Europa League (EL). These rules have been under scrutiny from the beginning from all angles, with many parties having big economic and sporting interests in adapting them a certain way.

UEFA's FFP regulations have also been closely watched by the European Commission throughout the process, expecting opposition from several groups and people, as the considerable revenue from CL and EL have a great impact on clubs, players, sponsors, agents and other parties related to European football.

The European Commission have expressly supported UEFA's FFP regulations stating they are in accordance with European State aid Law, and in the best interest of the clubs, players and for the sport as a whole.[1]

The measures taken in order to reach the long-term economic sustainability of the sport are democratically agreed upon by the European Club Association (ECA), which consist of 207 clubs from the 53 members of the UEFA, and being the representative of the clubs at European level.

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[1] IP-12/264 21st of march 2012 - European Commission – Press Release – State Aid: Vice President Almunia and UEFA President Platini confirm Financial Fair-Play rules in professional football are in line with EU state aid policy

Participation in UEFA competitions brings a big source of revenue to the competing clubs, through increased sponsor deals, match day income, merchandising, broadcasting revenue and prize money. With these new regulations and the introduced break-even principle[2], this revenue is the basis of what a club can invest in the future, giving an advantage to clubs already in this exclusive group of elite clubs. Whether the FFP regulations is in the best interest of the sport as a whole or more in the interest of the elite clubs is a valid question to ask.

The purpose of this thesis is to uncover what effects FFP has on the competition between clubs in European football, and to see if the measures taken are a good step towards reaching a sustainable business model for European football clubs. In the end affecting the sport as a whole and becoming the right way of the future for the development of the sport in Europe.

1.1 Motivation

It has been important for us, to find a subject that is in our interest and something we can relate to both personally and professional. At the same time this addresses some very interesting economic and legal aspects that fits our studies.

There are many different reasons for our choice to write about UEFA's financial fair play principle and the coherence between economy, law and competitiveness in elite sports. We are both advocates for a competitive and fair execution of the competition in European football and have a general interest in sports and the security of competitiveness in sports. Having followed the development of top football closely over the last couple of decades, we have seen the changes first-hand. Many clubs have been taken over by rich foreign investors, who invest enormous amounts of money to buy the best players in the world. At the same time, we see an explosive increase in revenues from broadcasting deals, merchandise, sponsors etc. This has changed the football economy completely. Causing UEFA to make the decision to step in, monitor, and control how the clubs manage their finances.

There have been a lot of talk about the topic over the last years, but it is now that we see the true impact of the regulations and that the first major sanctions will take effect. This will be a wakeup

[2] UEFA Club licensing and financial fair play regulations – edition 2012

call for those clubs who has not believed UEFA would commit to the sanctions for breaking the rules. As we believe, some of the clubs have felt too big or important to be excluded from UEFA tournaments. UEFA will now have to prove they are willing to make the hard choices and treat all clubs as equals.

Being at the beginning of these new changes, the relevance of the topic grows. It is the first thing on the tongue of every sports journalist, every professor of sports economy or anti-competitive law. This shows why this topic has so many different angles and is so difficult to agree on. Everyone have different views and concerns with the way the regulation is established and agreed upon, and what the real impact of the rules will be.

At the end of the day, this issue is a perfect match for us. We have the opportunity to go into depths with a present topic that is surrounded with great uncertainty and speculation. Most important for our professional point of view is though, that FFP potentially can have a massive economic impact and deals with some very relevant and interesting legal issues. We will take the newest research and development about the subject, and analyse both the legal and the economic perspective of the situation, thus going into the depth of the issues and use the gained knowledge and our own opinions to clarify and evaluate the process and outcome of the regulations.

1.2 Subject

This thesis will analyse the effect the implementation of UEFA's FFP has on the competition in European football, and evaluate whether the measures and sanctions provided by the UEFA financial committee to ensure a sustainable business model for football clubs in Europe is the best for the sport.

1.3 Problem

The objective of the FFP regulations is to ensure a sustainable business model for clubs in European competitions[3]. This is a consequence of poor financial results for almost 50 percent of the clubs in their survey.

The regulation has only been in force for a couple of seasons and the impacts of the changes are still uncertain. As the years pass, stricter rules will apply for the clubs and changes will most likely be made to adapt to the actual situation.

As FFP sanctions start to take effect, the impacts for the clubs and the sport as a whole will become clearer. Thus, the question marks set by the critics will now come forward as actual problems, which UEFA has to take into consideration when sanctioning clubs, or adapting the rules to suit incurring problems.

1.4 Issue

In this thesis, we will go through the FFP regulations with focus on how it affects European clubs and the competition in European football in regards to anti-competitive law, TFEU art 101.

Furthermore, we will look at the implications it has on the sport as whole and analyse if it is beneficial in the long run.

1.5 Problem statement

How do UEFA's Financial Fair Play regulations affect the competition in the European football market (FFP)?

What are the objectives behind the regulations, and what effect do the measures have for the future of European football?

Is the implementation of FFP in the interest of the sport?

[3] UEFA Club licensing and financial fair play regulations – edition 2012 - Objectives

1.6 Method

1.6.1 Legal Method

An introduction of the FFP regulations and the measures taken by UEFA will build the foundation for the legal part.

In order to analyse whether FFP has an anti-competitive effect on the European football market in regards to EU regulations, the legal-dogmatic method will be used.[4] Specifically TFEU article 101 and if the FFP is in violation of it will be analysed.

Comparing the FFP effects on clubs, players and other parties with the EU regulations will be the basis for the legal analysis, with focus turning towards the sports exemptions in the Commissions White paper on Sports.

Relevant case law and principles derived from these will be used to analyse the issues in the thesis. Cases such as Bosman[5], Meca-Medina[6], Wouters[7] and Höfner[8] have had an important part in developing EU sports legislation.

An interesting aspect of FFP is the fact that it is a regulation within sports, and UEFA has stated that the same rules does not necessarily apply to sports as to "normal" businesses. The term sports specificity has been referred to by both UEFA officials and the EU Commission.

The exemptions for sports have been in front of the European Court of Justice in many cases. These cases and its rulings will be a part of understanding and explaining the term and how it has affected the development of European football regulations.

[4] Nielsen, Ruth og Tvarnø, Christina D. 2008, Retskilder og retsteorier .– page 28
[5] Case C-415/93, *Bosman*
[6] Case C-519/04 P, *Meca-Medina and Majcen v the Commission*
[7] Case C-309/99, *Wouters*
[8] Case C-41/90, *Höfner*

1.6.2 Economic Method

The economic part of this thesis will go through the break-even regulations in FFP and use data from the Deloitte Money League reports[9] to get an overview of the financial situation in the top of European football and combine these two to analyse the effect of the regulations.

This effect will be shown through a competitive balance (CB) analysis and go through both static and dynamic models of CB for the top 5 leagues in Europe[10]. In order to understand why the clubs act as they do financially, game theory is used through the prisoners' dilemma paradigm.

To evaluate if the FFP regulations are for the good of the sport, the revenue gained from participating in UEFA tournaments compared with average team income in the leagues will be evaluated. Combined with the CB analysis and Szymanski theory about what makes sports interesting for consumers[11] the problem statement will be answered.

1.6.3 Integrated method

The findings and conclusions from the legal and economic part will be combined in a practical part with concrete examples of how the situation is for some clubs now and how the future might look under the current set-up.

A look at how the clubs are trying to adapt and find loopholes in the regulations, and if the objectives sat by UEFA are being achieved.

We will give our own view of the situation and possible solutions to better the sustainability and competitiveness in European football.

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[9] Deloitte money league 2014

[10] Premier League, Bundesliga, La Liga, Ligue 1 and Serie A

[11] Stefan Szymanski - The Economic Design of Sporting Contests - 2003

1.7 Delimitation

In this thesis, we will look at UEFAs FFP regulations, specifically the part surrounding the break-even principle, which we see as the basis of creating a sustainable economy for the clubs. We will apply EU competition law and EU cases, no national legislation or case law. Under EU competition law we will only focus on TFEU article 101 and analyse the FFP regulations in regards to this article. We will not look at TFEU article 102.

In the FFP regulations we will not look at the general licensing requirements in part two, just the break-even part of the regulation part three. The clubs debts and payment of debts in article 65 and 66 will only be mentioned as a part of their relevant expenditures and not analysed further. National competition legislation and national FFP regulations is not a part of this thesis. We have limited the clubs to top clubs in the Deloitte Money league and clubs who are qualified for CL. For the stakeholders in FFP regulations our focus will be on the three we see as the main stakeholders, clubs and its owners, players and sponsors. There are other stakeholders and they will only be mentioned when relevant.

Furthermore, our economic analysis will be based on the figures from Deloitte Football Money Leagues yearly-publicised reports. Published and unpublished articles will supplement these figures. We keep a critical view on articles that are not documented as scientific research. We use these to get the best possible and most updated overview of the topic.

The break-even balance will be focused on revenue and expenses, and will not go into detail on debts and payment deadlines. Expenses are limited to wages, transfer fees and investments. Revenues are limited to commercial, broadcasting, transfer, participation, price and match day income.

In order to keep the data at a reasonable but still relevant level we have decided to look at the top 5 clubs in the 5 biggest leagues in Europe only. Each clubs finances and compliance with FFP will not be gone through in detail. The mention of other clubs will only be for comparative reasons.

For the sake of this thesis, we assume that all clubs, including those who do not compete for CL qualification, strive to comply with the FFP regulations.

The solutions in the integrated part will not be analysed in a procedural or legislative way. The legality of them in relation to current EU-legislation is not a part of this thesis. The focus in this part is to suggest solutions, which will be beneficial for the sport.

1.8 Structure

Chapter 1 Introduces the reader to the topic of the thesis and the problem statement. In addition, the chapter was intended to provide the reader with an overview by addressing the prerequisites, methodological approach and structure.

Chapter 2 Provides the legal analysis. The first part analyse the FFP regulations by an in depth analysis of the objectives behind the regulations and the measures taken to ensure its future. Second part analyses the FFP regulations and sport regulations in relation to EU competition law. Ending with an assessment of the state of the clubs and other affected parties.

Chapter 3 Provides the economic analysis. Explaining the break-even principle and the economic impact of the FFP regulations. Then analysing the CB of the top five leagues in Europe to figure out the link between sporting success and income. Using game theories to analyse how the clubs will act financially to the FFP regulations. To give an assessment of financial future of European top football, analysis of the impact of CL revenue distribution is made. Using the gained knowledge, the economic part is completed with an evaluation of the FFP regulations, and whether it is for the good of the sport from an economic point of view.

Chapter 4 Integrates the results from the legal and economic analysis, and comes, based on those, with our assessment of the future of the FFP regulations. Analysing the critical areas and the clubs approach to these. Ending with our evaluation of the future of European top football after the introduction of the FFP regulations and providing solutions to the critical areas.

2 Legal Analysis

2.1 Introduction

In our legal analysis, we will look at UEFA's financial fair play regulations and its effect on the European football market. Throughout the analysis, we will focus on the regulations and the impact of the regulations on affected parties. We will go through the regulations, and how it affects the competition in accordance with EU law. Whether these will act in a salary cap restrictive manner and if so, the legality of this.

2.2 Financial Fair Play Regulations

2.2.1 Background for the acceptance of UEFA's financial fair play principle

In September 2009, the Executive Committee of UEFA unanimously approved a financial fair play concept.[12] In May 2010, this concept was approved by the committee and with full support of the European Club Association, now specified as the UEFA Club Licensing and Financial Fair Play Regulations Edition 2010, from now on mentioned as the FFP regulations.[13]

The reason for this initiative is the worrying financial state of many clubs all around Europe. Despite increasing commercial and public interest in European club football, many clubs are still struggling to meet their financial obligations and commitments and in general operating in a poor financial state[14]. The overall objective for the FFP is to ensure the long as well as the short-term health of club football and individual clubs. [15]

[12] http://www.uefa.com/uefa/footballfirst/protectingthegame/financialfairplay/index.html
[13] UEFA Communications report – Financial Fair Play 25 January 2012
[14] http://www.bbc.com/sport/0/football/26390770
[15] UEFA Club Licensing and Financial Fair Play Regulations – Edition 2012 – Page 2

This resulted in 6 principal objectives:[16]

- To introduce more discipline and rationality in club football finances.
- To decrease pressure on salaries and transfer fees and limit inflationary effect.
- To encourage clubs to compete with(in) their revenues.
- To encourage long-term investments in the youth sector and infrastructure.
- To protect the long-term viability of European club football.
- To ensure clubs settle their liabilities on a timely basis.

To understand why UEFA felt the need to make these objectives, we need to understand the situation of modern football and how it has developed over the years.

Football has in many ways experienced an impressive growth, and has established itself as *the* dominant global sport. According to Professor Stefan Szymanski's studies revenues have rose 5.6% every year over the last five years and the annual income of European football clubs is now 17 billion Euros.[17] This shows that football is continuously getting more and more popular and that the clubs are earning more money than ever before. The amount received from broadcasting rights, ticket- and merchandise sales, sponsors etc. keeps getting higher and every year top clubs and football associations make new record deals with their partners. This is an indication of how well the sport is developing and that the potential for a solid economic base is there. However, UEFA still feels there is a need for regulation.

In the season 2011/12 UEFA had to refuse licences to compete in the European tournaments to more than 100 clubs.[18] These clubs did not meet the criteria set by UEFA. This is seen as an indication of UEFAs continuing work towards improving the standards of control with the clubs. With ever increasing revenues, it is surprising that it has still been possible for over 100 clubs to fail the requirements in 2011, before the FFP regulations came into force.[19]

[16] UEFA Club Licensing and Financial Fair Play Regulations – Edition 2012 – Page 2
[17] Financial instability in football: problems and solutions – by Stefan Szymanski
[18] UEFA - Financial Fair Play – Media information – 25 January 2012
[19] UEFA - Financial Fair Play – Media information – 25 January 2012

At the same time as the revenues has reached new heights, 63% of the clubs in top divisions declared an operating loss and 55% reported an overall net loss.[20] This is a result of increase in money spent on transfers and wages. In average, the clubs now use 71% of their income on wages[21] and transfers, an expense post that grows every year. Players and agents are aware of their increasing value for the clubs in relation to merchandise sales and the importance of having the best possible team to compete for the massive prize money in the international and national tournaments. Their negotiating power has increased significantly and has resulted in a different and more balanced negotiation between clubs and players. Players now have agents to do the negotiations for them and they know how much their players are worth or potentially can be worth for the clubs.

At the same time, we have seen clubs being bought by wealthy new owners that seem careless when spending money on new players. These clubs create new standards for pricing the best players, pressuring clubs without the same wealth to use a larger percentage of their finances on players than they normally would; or even can afford. If we for instances look at two of the largest clubs in the world Real Madrid FC and FC Barcelona, they are both struggling financially. By buying the best players in the world, these clubs have been setting the standard for transfer fees and wages for decades. Because of their fierce rivalry and desire to outdo each other, plus the renewed competition from clubs with endless resources, they have built up an enormous debt. Even though both clubs makes around €500 million annually, they have debts just as high or even worse.[22] Resulting in a situation where one of the historical clubs in the world, FC Barcelona, had to take out loans just to make payrolls.[23]

This worrying tendency resulted in the creation of FFP. How was it possible for UEFA to make such radical changes in the way European clubs are managed financially?

UEFA is a major force in football and sports in general. Their CL tournament is the most watched annual sporting event in the world, and participating or winning their tournaments are one of the most prestigious things you can achieve both as a club and as a player. This gives them great power

[20] Financial instability in football: problems and solutions – by Stefan Szymanski
[21] UEFA - Financial Fair Play – Media information – 25 January 2012 – page 80
[22] The Marquette Sports Law Review – Clinton R. Long – Promoting Competition or Preventing It? A Competition Law Analysis of UEFA's Financial Fair Play Rules
[23] http://news.bbc.co.uk/sport2/hi/football/europe/8797183.stm

when it comes to politics, economy or legislation in football. We will later in this thesis have a closer look on exactly what kind of measures UEFA has taken to secure and complete the FFP regulations.

2.2.2 Objectives behind FFP

The earlier mentioned 6 objectives behind FFP is thoroughly considered and specified of UEFA. We will analyse the consequences of these objectives, and why it has been so important for UEFA to establish them.

The overall objective for the FPP regulations is to make the clubs more aware of their economic situation and responsibility[24]. UEFA has the role as the overall caretaker on European football and has claims this responsibility to make sure that the clubs can survive, and will protect debts from escalating uncontrollably. This is why they have introduced the monitoring of clubs finances and demanded them to work within their budgets. It is clear that they have been worried by how many clubs have problems with paying their bills, and the increasing amount of debts in European football clubs. UEFA state in one of their official objectives, that they do this "to protect the long-term viability of European club football". [25]

The FFP regulations will be a major change in how clubs will be managed if it succeeds according to UEFA's plans. It is still unclear how much it will affect the overall perspective of European top football. Which clubs will be beneficial and how easy will be to manoeuvre around the rules. These are some of the dominant questions when talking about FFP[26], and they are very difficult to answer before we see how far UEFA will and can go in regards to enforcing the regulations. When looking at the objective of FFP it is important to remember that this is a part of an overall plan to secure the sustainability and fairness in football. We have for example over the last couple of years also seen an increasing number of clubs being denied entrance to UEFA's tournaments because of match fixing and other unacceptable behaviour[27].

[24] UEFA Club Licensing and Financial Fair Play Regulations – Edition 2012 – Page 2
[25] http://www.uefa.org/protecting-the-game/financial-fair-play/index.html
[26] http://bleacherreport.com/articles/1338523-financial-fair-play-5-potential-winners-under-uefas-rules and http://toknowthegame.com/2013/01/15/who-benefits-from-financial-fair-play/ among others.
[27] http://www.dailyrecord.co.uk/sport/football/football-news/uefa-match-fixing-bans-fenerbahce-metalist-2233824

We also believe it is worrying UEFA, that so many clubs has been taken over by rich owners[28], who use the clubs as a way to build reputation and personal branding, where money and a profitable business is not the main focus. A purpose of the regulations is clearly to limit the possibilities for a sudden takeover and financial injection. The big issues again will be how easy it is to find loopholes in the rules and if UEFA will get enough data and material from the clubs to be able to uphold the rules.

The last two objectives for the FFP are regarding time periods for the clubs to settle their liabilities and the ability to use money on youth development and infrastructure. The aim of the former objective is more of a controlling angle, while the latter serves as a guideline for how UEFA wants the clubs to spend their money. In this, it is clear that besides setting up some rules for the clubs, it is in UEFA's general interest to get the clubs liabilities settled in a timely basis, hoping to put an end to long-term loans and debts. The encouraging of long-term investments in youth development and infrastructure is another objective for UEFA to secure the long-term viability of European club football. They hope to see more clubs using a bigger part of their budgets on these areas.[29] Investments in youth development and infrastructure are therefore not a part of the break-even accounts. This is to the clubs and owners an incentive to invest in these areas, which will improve facilities and increase focus on developing young players.

UEFA have in general decided to take more part in what goes on in the different leagues and clubs in Europe. The FFP regulations are the biggest initiative to date, but is not the only area where we will see a more involved UEFA. The objectives from the FFP regulations goes hand in hand with the general attitude from UEFA, that they will be more involved, take more responsibility and deal with the consequences for any action the clubs are making that is in violation of UEFA rules and that can be a potential threat to the sustainability of European club football.

It is not one of the official objectives for the FFP regulations to function as a salary cap, it can, however, be seen as such in an indirect way. It is therefore unclear whether there have been a hidden agenda or if the similarities are just a coincidence or an inevitable side effect when regulating the financial market. We will later go into details with the similarities between a salary cap and the

[28] Manchester City, PSG, Monaco, Malaga etc.
[29] UEFA - Financial Fair Play – Media information – 25 January 2012

condition that UEFA have left the clubs in after the introduction of FFP. In general, it is important to be sceptical to the official statement of the FFP, you must suspect, that other factors could have played a big part of the reason for UEFA introducing these regulations.[30]

2.2.3 Measures taken

When creating such a radical change in how UEFA will control and discipline clubs and their economies, it is clear that some efficient measures need to be taken. They need to protect the regulations the best way they can, from any possible threat to the survival of the initiative. UEFA know that they are moving into a new area of regulating the football market and could possible meet discontent from many different parties. Any affected party is a possible threat for the regulations survival; e.g. clubs, players, sponsors, national football associations or even the European Union (EU)[31]. Another important factor when implementing such a comprehensive set of rules that will increase the workload internally in UEFA, is to be able and ready to deal with the needed paperwork to uphold the rules.

With this in mind, one of the first measures UEFA took when introducing the FFP regulations was to make the two-chamber Club Financial Control Body (CFCB). In June 2012, the UEFA Executive Committee approved the formation of the CFCB with the purpose to oversee the application of the FFP regulations. The CFCB replaced the former Club Financial Control Panel, which had monitored clubs since the first introduction of FFP in 2010. The main difference between CFCB and the Club Financial Control Panel is that the CFCB also has the power to impose disciplinary measure in the case that clubs do not fulfil the requirements of FFP and the ability to decide on cases relating to clubs' eligibility for UEFA club competitions. This meaning that the CFCB is an official UEFA Organ for the Administration of Justice.[32] Having introduced this new controlling body, UEFA made sure that they had taken the required internal measures to cope with the increased workload.

[30] The Problem With Salary Caps Under European Union Law – By Johan Lindholm – page 195
[31] For example like this case - http://www.bbc.com/sport/0/football/24333604
[32] UEFA Club Licensing And Financial Fair Play – Compliance and Investigation Activity Report 2011-13

The regulations primarily affect the clubs and players. It was therefore important for UEFA to have the full support from as many of these parties as possible. The FFP regulations were unanimously supported by the members of the UEFA Club Competitions Committee and got the approval of the European Club Association Board (ECA), representing clubs from all around Europe. Following these approvals, the regulations were in 2009 unanimously recommended by The Professional Football Strategy Council (PFSC). PFSC is a combination of representatives from the European Professional Football Leagues (EPFL), the clubs (ECA), the players (FIFPro Europe) and the UEFA vice-presidents.[33] This acceptance is essentially a green light for the regulations from all the primary parties affected by the regulations. A green light that gives UEFA the opportunity to uphold the actions towards the clubs that is not following the rules. With the representatives' approval it will be difficult for the clubs and players to complain about the regulations if they get sanctioned in any way. ECA is in many ways a big part of the making of the regulations:

"From the first moment onwards, I supported this idea, because it was already clear at that time that European club football was going in the wrong direction from a financial point of view…"

"We have reached a good moment to take our foot off the pedal and put on the brakes, to come to more rationality in club football."(ECA Chairman, Karl-Heinz Rummenigge)[34]

This shows how committed ECA is to FFP and that they will support UEFA in the future. Creating an important partner for UEFA and the measures made to create this corporation and get the support from all the different associations is vital to secure the future of FFP.

After taking the required precautions both internally and with the affected parties and associations, UEFA needed to secure that they had the support from the European Commission. In order to prevent clubs, players etc. to use the European legal system to challenge the validity of FFP. In next chapter, we will go into more details why UEFA and the FFP regulations are considered to be under the Treaty of Functioning of the European Union (TFEU). UEFA succeeded in getting a joint statement from the European Commission that supported the FFP regulations.[35] The importance of

[33] UEFA – Press Release - UEFA Professional Football Strategy Council agrees
on Financial Fair Play measures for club football
[34] http://www.uefa.org/protecting-the-game/financial-fair-play/news/newsid=1585317.html
[35] IP-12/264 21st of march 2012 - European Commission – Press Release – State Aid: Vice President Almunia and UEFA President Platini confirm Financial Fair-Play rules in professional football are in line with EU state aid policy

getting the European Commission to make this statement supporting UEFA shall not be underestimated. As the enforcer of EU legislation, the Commission's support will be helpful against any claims regarding for example conflicts with anti-competitive legislation. In relation to the joint statement, the Commission Vice President in charge of competition policy, Joaquin Almunia, stated:

"...I am deeply concerned by the increasing level of indebtedness of many European clubs. This situation is not sustainable. Both EU state aid rules and UEFA objectives help introduce discipline and rationality in football club finances."[36]

This proves that the European Commission support FFP and the principles behind it, furthermore giving UEFA a great advantage if anyone should dispute their rulings. The question is whether the joint statement is sufficient background to avoid disputes from suspended or fined clubs. But as UEFA general secretary Gianni Infantino mentioned about the joint statement:

"Let us be clear, this is not a new law. But it reaffirms what we have always said that the FFP rules are legal and in accordance with European legislation. If anyone was thinking of filing some sort of complaint saying FFP somehow restricts European competition law they would have to file it to the Commission. This is a big milestone in the enforcement of the break-even principle."[37]

This pointing out that if anyone has any complaints, they will have to go to the European Commission and make their case. The joint statement makes doing this more difficult and the affected party will have go against their own association and convince the Commission against something they currently are supporting. We see this measure as one of the milestones for the survival of FFP. It is difficult to get this sort of preventive support from the European Commission and UEFA have made a big effort to succeed. We believe that UEFA President Michel Platini has used a lot of time and important contacts to get this joint statement conducted.

Many different measures have been taken by UEFA to ensure the sustainability of the FFP regulations. UEFA wanted to make sure that the loopholes are covered and that they have the support from as many different parties as possible. When you want to make such radical changes

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[36] IP-12/264 21st of march 2012 - European Commission – Press Release – State Aid: Vice President Almunia and UEFA President Platini confirm Financial Fair-Play rules in professional football are in line with EU state aid policy

[37] http://www.reuters.com/article/2012/03/21/ozasp-soccer-uefa-financial-idAFJOE82K06A20120321

to professional football these measures are important steps towards making it possible. There will be some clubs, where the new rules will not be an advantage. Complaints are inevitable when the clubs are fined or excluded by UEFA from their competitions. If the clubs starts to doubt the legality of the FFP regulations, they could stop respecting the rules, which could threat the survival of FFP. That is why UEFA has made such an effort to take as many measures as possible.

2.2.4 The Necessity of the Measures

As showed in the previous section, UEFA has taken many different measures to protect the FFP regulations, but did they really have to go that far and could they have achieved the same effect with fewer measures?

The first measure to address is the internal preparation made by UEFA, to be able to handle the future paperwork, documentation and inquiries. This preventive action is necessary to be able to uphold and secure the regulations. Without this UEFA would appear unprofessional and the real effect of the regulations would be questioned. It is still too early to tell if they have overdone the internal precautions or if the measures taken internally are sufficient.

To get the support from clubs, players and leagues is of course a great security for a new regulation. You make sure that all the major parties involved already have accepted the rules, before they were in effect. This measure might not have been necessary but will help with the enforcement of the rules. The support from these parties secures the regulations survival. Sanctioning clubs would lead to longer and more difficult processes. Regarding this measure, we do however, question if it is extensive enough or if they could have included more parties.

The agreement from the different associations leaves out some stakeholders that also will be affected by the regulations in some way. Though the effect might be indirect, stakeholders like agents, staff and sponsors will also be affected by the financial restrictions. The problem here is the lack of associations for these stakeholders. UEFA did not have to include the club, player and league associations, but involving them in the process gives commitment and loyalty to the regulations, which is a major step for the survival and the effectiveness of the regulations.

It has from the beginning been important for UEFA to have the support of the EU Commission in order to make viable new regulations. UEFA President Michel Platini has through his influential network made sure that the regulations both comply and have the support of the Commission. It is clear that UEFA believe this statement to be an absolute necessity and will protect the regulations from any legal objections along the way. Whether the statement is sufficient for this is yet to be seen. A statement gives an indication of how the Commission interpret the regulation, and that a potential claim against FFP will have to convince them otherwise to get their support. A statement does not clear the regulations from all legal disputes and critics have questioned precisely this vague support from the EU Commission[38].

Pointing out that this could be the Achilles heel of the FFP regulations. We too have our concerns over the value of this statement, though we are certain that the statement gives a lot of support and trust in the FFP regulations and we will regardless consider it as the most important measure taken from UEFA to secure the survival of the FFP regulations and UEFA's mission on more sustainability in European football.

Having gone through the most important measures, that UEFA has taken to make sure that the FFP regulations will be well equipped to withstand pressure from challenges in the future, we do believe that these preventive measures are necessary for the success of FFP. The importance of each of them might vary individually, but together they give the necessary support that new regulations need to be respected and trusted. Time will tell if they are sufficient or if clubs, players or other parties can find loopholes that undermines the purpose, but UEFA has at least done what they could to protect themselves and to make the FFP regulations as sustainable as possible.

[38] http://www.theguardian.com/sport/david-conn-inside-sport-blog/2011/may/25/financial-fair-play-uefa-michel-platini and http://notbottomline.wordpress.com/2012/03/15/the-idiots-guide-to-uefa-financial-fair-play-what-does-it-all-mean/ among others.

2.3 Sports regulations

In 2007, the commission prepared the White Paper on sports, which explained the important aspects within sports and its place in society[39]. It focused on the sports specific rules[40] and how they are viewed from an EU law perspective.

In order to understand how laws and rules of the society affect sports we will look at what is special about sports, which separates it from the norms we are used to in the society. Some sporting rules are in direct contrast to what is acceptable elsewhere in society. In the following, we will show these differences through explaining some rules and regulations, and explore, which rules are needed for football to work as a game.

In any sport, it is important to have some regulations, which create the game itself. Specific rules telling what the competition is all about, e.g. how many players or participants there is on each team and how to win the game. In football, these rules are e.g.: there are eleven players in each team, one ball, you are not allowed to use your hands unless you are a goalkeeper, the size of the pitch etc. Without the standard rules, there would be no game to play. This is known as "the rules of the game".[41]

During the years the rules of the game has changed in order to make it more interesting and competitive, for both the participants and the spectators. Some of the most significant changes have been the introduction of the offside rule, number of available substitutes in a game and limiting the goalkeepers time with ball in hand and not allowing them to pick up the ball when it is passed back to them from a teammate.

These rules are directly affecting how the gameplay of football works during a game and is decided by organizations such as FIFA and UEFA. Some of the rules are controversial and are under continuous scrutiny by associations and clubs, but they all agree it is within the football's right to have such rules and decide what they should remain.

The issue starts when the rules of the game start overlapping or contradicting the rules of society. In professional football, it is widely accepted that men and women play only against players of the

[39] Commissions White paper on sports, Annex I
[40] Term used in case law in cases such as Deliége, Bosman and Meca Medina
[41] Kienapfel and Stein "The application of of articles 81 and 82 EC in the Sports Sector" 2007

same gender. You might see natural physical reasons for this and very few thinks a woman can compete at the highest level of men's football. Therefore, for competitive reasons they have separated the genders, which is clearly against social norms of equality between genders. We have examples of women wanting to play men's football but FIFA has upheld that there should be a division between genders in football[42]. This rule has not been challenged under EU law.

Before the Bosman ruling,[43] many of the European leagues had limits to the number of foreign players who could play for a club, or be playing at the same time. This was to protect their own league and give national players an advantage. After the ruling in the European Court of Justice, this was found to be in violation of the freedom of movement for workers[44] and therefore the limits were removed for EU citizens. The restriction on foreign players in national leagues is still an issue, which is debated as it might limit talent development on a national basis.

These are just a couple of examples of sporting rules which are more or less debatable in European competition law and there are many more to look at. The most significant example, which has been through the European Court of Justice's (ECJ) scrutiny, is the anti-doping rules and its effects on competition in sports. It is widely accepted that doping can enhance an athlete's performance, and most sports associations have anti-doping rules to prevent the use of performance enhancing drugs. UEFA has their own anti-doping regulations[45], in which they state three fundamental aims for their anti-doping program:

- *To uphold and preserve the ethics of sport*
- *To safeguard the physical health and mental integrity of football players*
- *To ensure that all competitors have an equal chance*[46]

These fundamentals were also important points in the Meca Medina[47] case, which is a landmark case for Sporting rules in regards to European competition law. This was the first time ECJ looked at the application of articles 101 (81EC) and 102 (82EC) towards sporting rules and the outcome of the

[42] http://news.bbc.co.uk/2/hi/talking_point/4110845.stm
[43] Case 15th December 1995 C-415/93, Bosman
[44] Case 15th December 1995 C-415/93, Bosman
[45] UEFA Anti-Doping Regulations Edition 2013
[46] UEFA Anti-Doping Regulations Edition 2013 - Preamble
[47] Case C-519/04 P, Meca-Medina, [2006] ECR I-6991 – In prior judgments cases were decided on the basis of other provisions of the EC Treaty, most notably those on the freedom of movement

ruling is still the current position of the ECJ[48]. By rejecting the court of first instance's decision, calling the anti-doping rules "purely sporting rules" the ECJ expanded the scope of the term economic activity to include and scrutinize most of the sporting rules by stating that professional sports undoubtedly is an economic activity[49].

2. 4 European Union Law

2.4.1 FFP Regulations under EU Law

The Commission established a long time ago that economic activity in the context of sports falls within the scope of EU Law[50] Article 165 in The Lisbon Treaty was the first time the European Commission had included a responsibility for the Union in relation to sport. It has been clear that EU law can be used to challenge rules and decisions concerning economy in sports since the European Court of Justice's judgment in 1974, in the Walrave case.[51]

2.4.2 What is the relevant market?

To find the relevant market for the FFP regulations we have to look at which parties are affected by the regulations and in effect can make a complaint to the commission about violations of EUs competition law due to the implementation of the FFP regulations.

The first party that will be affected by this is football clubs. Their financial control or lack thereof within the clubs is what UEFA is trying to fix with the FFP regulations. Secondly, the players playing for these clubs will indirectly be affected by the rules, as the clubs are their employer, who is paying their salaries, and other clubs that may be interested in signing them. The clubs get part of their revenue to pay salaries through sponsor deals. The sponsors pay a substantial amount to the clubs

[48] EU competition Law, Jones and Sufrin 4th edition p.108-109
[49] This is the popular opinion as a result of case law, see *Walrave og Koch*, paragraph 5 og *Bosman*, paragraph 73 - and Introduction to International and European Sports Law: Capita Selecta - By Robert C.R. Siekmann – Page 400
[50] White paper on Sports: Annex I, Sport and EU Competition Rules, introduction.
[51] C-36/74, *Walrave & Koch v. Association Union internationale*

to be associated with them and get visibility through their performances in tournaments including the UEFA tournaments.

Subsequently there are other parties that may be affected, such as player agents, managers and other staff. We will focus on the first three in this thesis, as we see clubs, players and sponsors as the main parties.

The relevant market is both the geographical market and the product market[52], and we have to look at it for each of the three relevant parties.

"The relevant geographic market comprises the area in which the undertakings concerned are involved in the supply and demand of products or services, in which the conditions of competition are sufficiently homogeneous and which can be distinguished from neighboring areas because the conditions of competition are appreciably different in those area"[53]

The FFP regulations and other UEFA regulations[54], apply to the countries where the national football associations are members of UEFA and running the football leagues. The regulations regarding transfers of players, which here is considered a product for the clubs, are the same inside the UEFA territory. The conditions of competition within the UEFA market varies from league to league. It affects all the different leagues in the same way in regards to player transfers; it is fair to say it is sufficiently homogeneous. Countries outside the UEFA has different rules and which can be distinguished from what we see as the relevant geographical market.

"A relevant product market comprises all those products and/or services which are regarded as interchangeable or substitutable by the consumer, by reason of the products' characteristics, their prices and their intended use"[55]

[52] Defnition of relevant market, http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:31997Y1209(01):EN:NOT
[53] Definition of relevant geographical market, http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:31997Y1209(01):EN:NOT 8
[54] List of member associations - http://www.uefa.com/memberassociations/uefarankings/country/
[55] Defnition of relevant product market, http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:31997Y1209(01):EN:NOT 7

When we look at the product market, we have to consider the three relevant parties mentioned above; clubs, players and sponsors.

The relevant products for the clubs are the players which though varying in price and quality are interchangeable or substitutable for the clubs. Every player has unique skills and personalities, so you cannot substitute one with another perfectly, but there are players with similar qualities at the same price level, which a club can get if they are looking for new players. The FFP regulations might limit the clubs ability to purchase players due to the break-even principle, which indirectly restricts salaries, and transfer fees.

For the players the relevant product is the clubs who paying for their services. The clubs are substitutable for the players considering style of play, management, salaries and geographic properties. If a player does not play, or are unhappy with something it is possible to change clubs and negotiate salaries. The introduction of the FFP regulations might have some impact on the player's options and possibilities.

For the sponsors the relevant product is the visibility they get through sponsoring clubs who participate in the UEFA competitions. There are a limited number of clubs participating in the competition and which club to sponsor depends on the market they want to reach, whether it is the local market of the clubs or a larger geographic market. The normal way of thinking is that the amount a sponsor is willing to pay is proportional to the success rate and popularity of the specific clubs. Sponsorships are substitutable for most sponsors as there are many clubs to choose from. In regards to the FFP regulations, there might be put extra pressure on the sponsor deals as the clubs are pining for extra income to be able to spend more money. The sponsors who are already committed to clubs who are struggling to reach the break-even principle might benefit from increasing their sponsorships if a club is on the verge of being sanctioned by UEFA. The tendency we see now is that clubs are looking for new sponsorship methods to increase their revenues and thereby the money they can spend[56]. Sponsorships have normally been limited to shirt sponsors and stadium name. In the later years the creativity from marketing departments have found room

[56] Deloitte Football Money League 2013, growth in commercial income

for training kit sponsors, training ground sponsorships, travel sponsorships and more and more regional sponsorships to entice the fans all over the world. [57]

The FFP regulations has already had an impact on the sponsorship market, clubs are demanding more money from their sponsors at the same time as they are looking for more sponsors to increase their revenue.[58] Multiple sponsors might diminish the value of being main sponsor as fans, which are targeted by the sponsors, are no longer automatically connected to a club just by the mention of the clubs name. Historically the shirt sponsors and kit suppliers where always connected with the clubs name. For example, in the 1990's Manchester United was always connected with Sharp and Umbro, later on Nike and AIG. Now they are still connected with Nike as the main sponsor, but the shirt sponsor AON is just one of many as DHL sponsor the training gear, Chevrolet is the car sponsor, for travel they have Aeroflot, Thai airways and Turkish airlines who are all competing companies. You could argue that it diminishes the value of being the main sponsor, even though they are paying more than ever to have that position.

2.4.3 FFP in regards to TFEU article 101

In order to find out whether the Financial fair play regulations is in violation of TFEU article 101 certain criteria has to be met[59]. In this section we will evaluate whether FFP is in violation of article 101(1) and 101(2) . And if so, will the exemptions in article 101(3) take effect.

The first criterion is that the FFP is an agreement between undertakings or decision by associations of undertakings and concerted practices.

[57] Deloitte Football Money League 2013, growth in commercial income
[58] Deloitte Football Money League 2013, growth in commercial income
[59] White paper on Sports: Annex I, Sport and EU Competition Rules

Is UEFA an undertaking?

An undertaking in this context is to be considered a party who does economic activity[60]. The court has a wide definition of the term undertaking[61] and that economic activity is anyone who offer goods or services in the market[62]. Through the European tournaments UEFA generates huge broadcasting and sponsor revenues which is economic activity[63], a big part of this is paid out to competing clubs as prize money for participating and performing in the tournament.

Through these income sources, UEFA is considerably involved in economic activity, with millions of Euros going through the organization every season.

Through UEFAs CL and EL the participating clubs earn a substantial part of their revenue due to the prize structure. By just reaching the group stages of these tournaments the clubs earn millions of Euros and build their brand stronger by reaching the whole world of football supporters. The income from participating is so important for European football clubs that it is almost equivalent to winning a trophy. Economically it is more important qualifying for the CL than winning national cup competitions.

The economic activity UEFA is a part of makes it clear that they are an undertaking under in TFEU article 101(1).

Is UEFA an association of undertakings?

UEFA is an association for the National associations and its football leagues, so in order to answer the question we have to have to look into UEFA and see if they are considered an undertaking.

The national associations arrange the national league, and in some countries such as England the national league is called The Premier league which is an undertaking established in 1992 by the clubs themselves. [64]

[60] http://www.sportingintelligence.com/2013/05/13/daniel-striani-and-uefas-financial-fair-play-regulations-the-new-bosman-130501/
[61] Case C-41/90, Höfner, paragraph 21
[62] Case C-118/85, Commission v Italy, paragraph 7
[63] White paper on Sports: Annex I, Sports and EU Competition rules, paragraph 2.1.2 step 1 a.
[64] White paper on Sport: annex I, Sport and EU competition rules – Association of undetakings

These national leagues are under the control of the national football associations and deal with the broadcasting rights on behalf of the clubs. This leads us to conclude that the Associations are also undertakings[65].

The national associations are members of UEFA and they carry out economic activities[66]. UEFA is an association of undertakings and an undertaking thus TFEU article 101 applies.

Is the FFP regulations an agreement?

The FFP regulations is developed by UEFA, and agreed upon by its members and is therefore considered an agreement within an association of undertakings. It is also supported by ECA and EPFL. [67]

The first criterion of TFEU Article 101 is therefore met. The next criterion is whether the regulation may affect trade between member states.

May FFP affect trade?

The financial fair play rules regulates how clubs spend money by putting a limit to how much clubs spend on acquiring player licenses and paying salaries. The clubs are limited to spending closely to what they earn; this is called the break-even principle.[68]

The clubs revenues come from sponsorships, match day income, player sales and broadcasting revenue.[69] These revenues must cover expenses related to transfer fees, salaries and benefits for employees and other operating expenses.[70]

Throughout the European football leagues the clubs are very different in shape, size and commercial attractiveness. Clubs with smaller stadiums will have less match day income than clubs with bigger

[65] White paper on Sports: Annex I, Sports and EU Competition rules, paragraph 2.1.2 step 1 b.
[66] White paper on Sports: Annex I, Sports and EU Competition rules, paragraph 2.1.2 step 1 b.
[67] White paper on Sport: annex I, Sport and EU competition rules
[68] UEFA Club licensing and fincancial fair play regulations article 57
[69] UEFA Club licensing and fincancial fair play regulations article 58,1
[70] More detailed version is found in the economic analysis and at UEFA Club licensing and fincancial fair play regulations article 58,2

stadiums[71]. Clubs from the bigger leagues, also have more lucrative sponsorships and higher income from broadcasting rights. These differences between potential incomes for the clubs in Europe are a part of the reality of football with or without the FFP regulations.

For clubs, players and staff are the most relevant resource to look at. The players are the raw materials which the clubs trade.

By demanding clubs to live up to the break-even principle, UEFA effectively limits the spending by the clubs, effectively putting a restriction on investments[72]. When the clubs have limited resources to spend on acquiring new players there is reason to believe that less money will be changing hands. This subsequently may affect trade. On the other hand, the break-even principle may not necessarily lower the number of transfers as it might also increase the clubs incentive to offload fringe players in order to free up salary and transfer funds for new players, which will create more transfers between clubs. This might be the effect of the regulations, which we will discuss further later on. Nevertheless, both these scenarios show that the FFP regulations may affect trade in different ways.[73]

May FFP affect trade between member states?

In the European football market, the trading mostly consists of player transfers, and with the free movement of workers in place,[74] there are no restrictions for EU citizens when it comes to working within the internal market. Many of the transfers happen across borders and often between member states.

The second criterion is therefor also fulfilled, as we believe the FFP regulations may affect trade between member states.

[71] Assuming size of stadium is proportional to number of tickets sold.
[72] Except on Youth and facility development which are allowed
[73] OJ 2004 C101/7 – Guidelines on effect of trade concept in TFEU article 101
[74] Case C-415/93, *Bosman*

Lastly, we have to see whether the agreement have as their object or effect to prevent, restrict or distort the competition within the internal market. Under TFEU article 101(1)(a-e) list particulars that is considered as such.

Is the objective behind FFP to prevent, restrict or distort the competition within the internal market?

The stated objective by UEFA for implementing the FFP regulations is to encourage the clubs to change their economy in to a sustainable model to protect the future of European football.[75] As mentioned earlier UEFA has six stated objectives[76] supporting the sustainable economic model, which we will have a closer look at in the following to determine whether they are anti-competitive.

• *To introduce more discipline and rationality in club football finances;*

Introducing more discipline and rationality in itself is not anti-competitive, but by setting up rules for how to reach this goal, which limits the freedom of the clubs to decide how and what to spend their money on, is restrictive.

• *To decrease pressure on salaries and transfer fees and limit inflationary effect*

Decreasing the pressure on salaries and transfer fees means regulating how much players can earn for their services. This can be considered as a horizontal anti-competitive agreement to limit the players' ability to negotiate salaries.[77]

• *To encourage clubs to compete within their revenues;*

Competing within their revenues means clubs and its owners are unable to make profitable long-term investments, by being willing to have short term losses to increase sporting success. This limits the freedom of the investors, which is anti-competitive.

[75] UEFA Club licensing and Financial Fair Play regulations, part I, article 2 Objectives
[76] UEFA Club licensing and Financial Fair Play regulations, part I, article 2 Objectives
[77] Richard Parrish, The Lisbon Treaty and EU Sports Policy, p 34

• *To encourage long-term investments in the youth sector and infrastructure;*

Encouraging long-term investments in youth sector and infrastructure is being made possible by not including these investments in the break-even accounts. There are already different rules regarding young players in countries throughout Europe. English clubs signing young Spanish talents have been an issue in the latter year, as players can turn professional at an earlier age in England. More focus on young players can add to already existing difficulties and increase pressure and demand for young players. The encouragement in long-term investments in the youth sector and infrastructure is not restrictive in any way, and cannot be considered anti-competitive.

• *To protect the long-term viability of European club football;*

Protecting the long-term viability of European club football is a positive term without specific goal or measures, which by itself can restrict or distort the competition

• *To ensure clubs settle their liabilities on a timely basis.*

Ensuring timely settlement of liabilities in itself is not anti-competitive, but together with the restrictions surrounding the break-even principle, it adds extra strain on some clubs economy.

TFEU Article 101(1)(a), prohibits agreements which "directly or indirectly fix purchase or selling prices or any other trading conditions".

The break-even principle sets an indirect limit for clubs costs on wages and acquiring new players. These limitations indirectly works as a salary-cap for clubs, which restrict the clubs from offering the right prices to sign contract and have bids accepted by players and clubs. This may prevent opportunities for both players and clubs, and thereby distort the competition in the internal market.

TFEU Article 101(1)(b), prohibits agreements which "limit or control production, markets, technical development and investments.

None of the objectives limits or control production, markets and technical development. It does limit the investments by deciding what the clubs can invest in, and limiting the amount the clubs can invest in new players.

The clubs are free to invest as much as they want in developing their youth academies and stadium facilities which could actually benefit the production of players and technical development. However, overall the FFP regulations still limits and controls what the clubs can invest in.

TFEU Article 101(1)(c), prohibits agreements which "share the market or sources of supply"

The player market in European football has been open to all clubs as long as they were willing to invest what was required to sign players, with the new regulations, some of the clubs are now forced to sign from a cheaper category of players, than they could before because of limited revenues, ergo money to spend. This divides the market into those who can afford to shop on the top shelf and those who cannot. It is very beneficial for the top clubs who are now the only ones having access to these players. One could argue that it will not change the situation much since it is basically the same as it always was. On the other hand it stops wealthy club owners from investing their own money in expensive players, which also is one of the not-stated objects behind the FFP regulations

TFEU Article 101(1)(d) prohibits agreements which "apply dissimilar conditions to equivalent transactions with other trading parties, thereby placing them at a competitive disadvantage"

The transactions made under FFP regulations are not of the nature where price discrimination is relevant. The products are unique; thereby such transactions do not occur.

TFEU Article 101(1)(e) Prohibits agreements which "Make the conclusion of contracts subject to acceptance by the other parties of supplementary obligations which, by their nature or according to commercial usage, have no connection with the subject of such contracts.

There is no object in the FFP regulations which in fact leads one to conclude that such conditions apply.

The main object in the FFP regulations is to help the clubs build a sustainable economic foundation. However, as we pointed out many of the underlying objects may have anti-competitive effects and some, such as the object to decrease pressure on salaries, are directly anti-competitive for the players, compared to negotiating salaries in the free market without these regulations. This leads us to conclude that the objectives behind FFP may be in violation of article 101(1).

Do FFP regulations in effect prevent, restrict or distort the competition within the internal market?

What might look like anti-competitive in object could also be anti-competitive in effect. We will therefore have a closer look at the effect the objectives have on the market.

Critics of the regulations claims the stated objectives are not real objectives for implementing new regulations. Some say the implementation of these regulations is to protect the clubs that are already the biggest and richest.[78] These clubs also have the most political influence on what is going on in UEFA, as they are the most attractive clubs generating the most income for UEFA from sponsors and broadcasters. It is in the interest of the big clubs to avoid new clubs getting rich owners, who can buy their way to the top buy investing millions of Euros in the best players.

To see the effects of the FFP regulation we need to analyse the different parameters separately and then look at the overall effect.

[78] http://www.goal.com/en-gb/news/2865/comment/2013/08/15/4188108/financial-fair-play-is-making-the-rich-richer-and-keeping

The implementation of the regulations are still at the beginning stage, and only take effect for real the current 2013/2014 season. This is the year when the clubs have to balance their finances, in order to participate in UEFA tournaments.

Assuming the FFP regulations will only have a negative effect on the competition will be misguided. The effects may both be positive and negative in regards to EU law. We will therefore look at the balance between the positive and the negative effects deriving from the implementation.

In the FFP regulations there are two important parameters, revenue and expenses. With the break-even principle as the main focus the clubs have two main options in order to reach the goal. Either increases the revenues to match the expenses, or to lower the expenses to match the revenue.

Increasing revenues can be done by new sponsor revenue streams, prize money, match day sales and new commercial deals and sponsors. We can already see the creativity around sponsor deals have increased significantly. Increasing prize money can only be earned be performing well in tournaments. It can be expected that the same kind of creativity will be seen in match day events and new types of merchandising.

The expected effects from the FFP regulations:

- More caution in the transfer market
- Less pressure on salaries
- More investment in youth development
- More loan deals
- Salary expenses (Salary cap)
- Fewer transfer deals
- More marquee signings

Can the FFP regulations be exempt after article 101(3)?

It is possible for the FFP regulations to be exempt from the anti-competitive violation of article 101(1) TFEU if it fulfils the conditions in TFEU article 101(3)[79]. The commission interprets this article

[79] TFEU article 101(3)

strictly and there are a few group exemptions for certain scenarios. [80] None of which can be applied to the FFP regulations. When these do not apply, four conditions need to be met: [81]

- Efficiency gains;
- Fair share for consumers;
- Indispensability of the restrictions;
- No elimination of competition.

These conditions are cumulative and must therefore all be fulfilled for an exception to be made.

However, these conditions are unlikely to be met and justify the FFP regulations. The exception only applies to decisions "improving the production or distribution of goods or to promoting technical or economic progress, while allowing consumers a fair share of the resulting benefit."[82] Unlike an absolute salary cap, the regulations do not improve CB and it is therefore difficult to see how the exception could comply for the FFP regulations.[83] Additionally, article 101(3) requires that the regulations shall be "indispensable to the attainment of these objectives"[84], meaning that the restrictions are indispensable.

In order to figure out whether the FFP regulations are indispensable or not, we have to look at realistic alternatives to the agreement that is less restrictive but can achieve the same efficiencies. These alternatives have to be reasonable and attainable. Many commentators and experts have come forward with alternatives used in other similar agreements or in sports in general.[85] In American sports, this issue has been dealt with in different ways. Major League Baseball has a Luxury tax on salaries where they have to pay a tax per dollar spent over an agreed upon threshold. The NFL and NHL have hard salary caps with a maximum salary per team, while the NBA has gone for a mix with a soft salary cap for the players and a luxury tax for the teams.[86] These tax systems are also

[80] OJ 2004 C101/7 –Guidelines on the Application of Article 101(3)
[81] OJ 2004 C101/7 –Guidelines on the Application of Article 101(3), paragraph 34
[82] TFEU article 101(3)
[83] Johan Lindholm, The Problem With Salary Caps Under European Union Law.
[84] Id
[85] Example – Lecture from Jeroen Schokkaert – 07/02/2013 in Leuven, Belgium – FFP Alternative Instruments and Competitive Balance.
[86] http://en.wikipedia.org/wiki/Luxury_tax_(sports)#National_Basketball_Association_.28NBA.29

under scrutiny as the salaries keeps rising as well. There are alternatives, which could be less restrictive than the ones proposed in the FFP regulations.

Another argument is that the transfer windows are leading to inflated prices and salaries at the end of the windows because clubs are desperate to sign new players. This inflates both transfer fees and salaries. Removing the transfer windows could reduce the pressure caused by last minute transfers.

The fact that there are other alternatives, which could be less restrictive, indicates that the regulation is not necessarily indispensable.

Even if the FFP regulations would qualify under the exception in article 101(3), it would not prevent UEFA from being challenged as an unacceptable restriction of the free movement of workers and the result would in the end remain the same.[87]

Why are UEFA allowed to implement FFP if it is restrictive for competition?

As we see the FFP as restrictive agreement in violation of European anti-competitive law there must be another reason to why it is allowed and the commission has publicly and supported the regulation. [88]

The white paper on sports gives some flexibility for sports in regards to the competition rules, by taking into consideration the sports specificity. Meaning they can make some regulations, which are in violation of the competition laws as long as they are needed to reach a legitimate sporting goal.[89] Whether it is acceptable must be evaluated on a case-by-case basis.[90]Regulation which aims to create sustainability in the clubs to secure the future of the sports can fall within this exception as long as they are proportional measures to reach a legitimate goal.[91] Licensing rules[92] which may interfere with clubs business decisions must be reviewed carefully[93] so it does not go beyond what is necessary in order not to infringe TFEU article 101[94]

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[87] Johan Lindholm, The Problem With Salary Caps Under European Union Law.
[88] IP-12/264 21st of march 2012 - European Commission – Press Release – State Aid: Vice President Almunia and UEFA President Platini confirm Financial Fair-Play rules in professional football are in line with EU state aid policy
[89] Case C-519/04P, Meca Medina, paragraph 47
[90] Case C-519/04P, Meca Medina
[91] Case C-519/04P, Meca Medina, paragraph 47
[92] Hereunder the FFP regulations which is UEFAs licensing rules
[93] Commissions White paper on sports – (annex 1) paragraph 2.2.1.7
[94] Commissions White paper on sports – (annex 1) paragraph 2.2.1.7

Since the FFP regulations have not been examined by the court yet, we have to look to the joint statement form UEFA and the commission.[95] Where the commission expressly states support to the regulations and idea behind it. It does not comment specifically concerning competition law, but focuses on its compliance with state aid policy. [96]

2.5 Salary Cap

As previously mentioned it is clear that the FFP regulations have salary cap tendencies. There are many different ways to construct a salary cap and some are more obvious than others are. The most common use of salary cap is a "team salary cap", where the restrictions is based on the entire salary of the team, unlike the less commonly used "individual salary cap" that focus on the salary of the single athlete. The latter is more often used in combination with a team salary cap.

A salary cap is often justified with the creation of economic stability in leagues by limiting clubs expenses to salaries.[97] This argument is based on a conviction that clubs should not have higher wages than they can afford. Another commonly used argument for introducing a salary cap for the clubs is to create a more competitive balanced league structure. This is for example one of the main reasons for the different salary cap structures in American sport leagues.[98]

The core of the FFP regulation is the break-even requirement that a club have to fulfil and this makes the regulations different from most salary caps currently used. Salary caps are divided into absolute and relative salary caps. "Absolute salary cap" is the most commonly used and is recognised by the fact that all clubs are subject to the same-capped amount.[99] By creating the salary cap form from the break-even requirement, it is not the same capped amount for all clubs and is therefore a "relative salary cap". Here the capped amount is different for each club. As mentioned earlier the FFP regulations have, in addition to the break-even requirement, strict rules that require clubs to

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[95] IP-12/264 21st of march 2012 - European Commission – Press Release – State Aid: Vice President Almunia and UEFA President Platini confirm Financial Fair-Play rules in professional football are in line with EU state aid policy

[96] IP-12/264 21st of march 2012 - European Commission – Press Release – State Aid: Vice President Almunia and UEFA President Platini confirm Financial Fair-Play rules in professional football are in line with EU state aid policy,paragraph 10.

[97] See UEFA, Club Licensing and Financial Fair Play Regulations, Edition 2010

[98] http://www.conferenceboard.ca/reports/briefings/bigleagues/briefing-4.aspx

[99] Johan Lindholm, *En Jämnare Spelplan,* section 2, B, with reference.

provide annual and projected financial information and that they have no overdue payables to other clubs, employees, and authorities.[100]

Unlike normal salary regulations, the FFP regulations are attached to UEFA's licensing system and not to a specific league. It is not the objective for the FFP regulations to make similar leagues, but to create a minimum of conditions for the economic level. It will however be considered a salary cap, since the effect of it will limit the clubs possibilities to use money on player wages. It is in the nature of a relative salary cap to have a minimal effect on the CB if looked upon individually.[101]

2.5.1 Salary Caps and EU Competition Law

We have previously analysed the FFP regulations in relation to EU competition law. We are using the same analysis, when looking isolated on the relation between salary caps and EU Law. Using the same methods as earlier we can conclude that many types of salary caps will be considered as anti-competitive agreements, since it prevent the free movement of workers,[102] in this case professional football players. A salary cap which aims to limit the clubs salary expenses could also be considered a horizontal anti-competitive agreement.[103]

The criteria for the FFP regulations, from a salary cap point of view, to fall within the scope of TFEU article 101 is present, regardless how intrusive any rules will be. It would infringe the European sports model if salary cap regulations could be agreed between player- and sport organizations and thereby avoid the scope of TFEU article 101, but instead be considered under the scope of TFEU article 45 and the freedom of movement for workers. [104]

When analysing a relative salary cap model it is hard to figure out if they are necessary to obtain the objectives of the regulations. It would be much easier to define the proportionality of an absolute salary cap model, since this can be justified with economic theories. If the objective solely would be to create CB, a solution with hard and absolute team salary cap would be much easier to justify as a legal and necessary step in achieving the goal.

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[100] UEFA, Club Licensing and Financial Fair Play Regulations, art. 47, 64-68.
[101] Johan Lindholm, En Jämnare Spelplan, section 2.
[102] Case C-415/93, Bosman
[103] Richard Parrish, The Lisbon Treaty and EU Sports Policy
[104] Johan Lindholm, *En Jämnare Spelplan, section 4.*

When looking at the objectives of the FFP regulations, the salary cap is just a part of the different measures made to achieve the overall goals. Even though a strict absolute salary cap probably would be impossible to introduce across of so many different countries, teams and traditions, we believe that UEFA is more than satisfied with this less restrictive alternative. This would also help when justifying the proportionality of the measures, when you weigh it against the objectives of the regulations.

2.6 What state will the clubs and the competition between them be in after introducing FFP?

To analyse this, we use the demands required by the clubs after the introduction of the FFP regulations. In this section, we will have a closer look at what effect these new rules will have on different clubs and different areas within the clubs. Assuming that the clubs will follow the rules and will therefore be able to come with our view on what the future for top European football will look like and see the true effect of FFP.

2.6.1 Facilities and Youth Development

Many parts of the clubs will be affected differently, some parts of the clubs will gain from the adjustments and some will be negatively affected. A clear intension from UEFA has been to keep the possibility to increase spending on youth development and facilities. We are sure that this will be a high priority for all clubs with expectations or hopes of anticipation in UEFA's tournaments in the future. We can see in clubs like Liverpool, Manchester City and West Ham that a new stadium is one of the focus areas to increase revenues. The purpose with FFP is in effect the break-even principle, which is why every club will look for all possible ways to increase income. In Deloitte's yearly "Football Money League" report, it is clear that last season's winner and runner up in Barclays Premier League, Manchester United and Manchester City, have a very big difference in match day income.[105] Over the 2011/12 season, Manchester United earned €122 million, compared to Manchester City that only had an income of €38.1 million from match day ticket sales. Meaning that

[105] Deloitte's Football Money League Report 2013, page 11

Manchester United was able to earn more than 3 times as much on ticket sales as Manchester City in the same period. Clubs with a larger stadiums and fan base will have a long-term advantage. The regulations, with the exceptions regarding facilities, are though explicit formed in this way for this position to be neutralised or at least levelled out. Many different factors will of course influent the opportunities and result of this, e.g. local and national interest, the general economy etc. As an example of this, we have over the last decade seen a decrease in attendance Italy and no growth in Spain[106]. Two countries both struggling economically or a club like AS Monaco in France, where it is simply impossible to expand the stadium due to its location or to build a new due to the geographic aspect of the city.

The other exception within the FFP regulations, where the clubs can keep investing as much as they want to, is in youth development. UEFA describes this, together with the upgrading of sporting facilities, as a promotion of long-term investments over a short-term speculative spending. From UEFA's perspective, it is therefore seen as a possibility to increase income in the long run. Allowing the clubs to exclude cost from youth development from the break-even calculations could benefit players, clubs and the sport in general. Without questioning the reason and the purpose of making this exception, it is interesting to see what impact it will have on the different clubs. This incentive will encourage more clubs to invest in youth development. This is exactly what UEFA hope to achieve. We do believe that this could be a way for lower positioned clubs to improve their position. Focusing on the development of young starlets, which later can be sold for a profit. A good, young player can often be worth the same as 3-4 good older players. Bearing in mind that the introduction of FFP will make it even more important for the biggest clubs to get players that can stay in the club many years, in order to save money on transfer fees and use them on salaries instead. A good example of this is the English Premier League club Southampton F.C.. Only a couple of years ago they were in big financial trouble and got relegated to the third best division, but their ability to produce young talented players and sell them with huge profits saved them and helped them get back to back promoting from League One to the Premier League. We do however have some worries about this exception and its effect on approach of the biggest clubs towards young players. It is already a big issue when players down to their early teenage years gets approached by big clubs,

[106] Article regarding attendance, http://rowzfootball.wordpress.com/2013/06/16/european-football-attendance-trends-comparing-the-big-5-premier-league-bundesliga/

and we could fear that clubs will be overspending on getting as many young prospects to the club as soon as possible. If you cannot control and secure the development in this area, we fear that the clubs will look at this investment as risk free and the money spend as "free money".

2.6.2 Clubs at Different Economic Stages

One of the most interesting things to see is how the clubs will develop financially after the introduction of the FFP regulations. What the actually impact of these rules will mean on the economic distance on the clubs who already are big and the smaller clubs. This is where experts and researchers predictions vary the most. On one hand, many sees the FFP regulations as a lockdown of the current top in European football, these clubs have too big an advantage for the rest of the clubs to be able to compete with them in the long run. That the only way to compete with the biggest clubs is to have a rich investor to provide an unnatural cash flow into the club. Looking at the football landscape across Europe, these sceptics could have a point. The only clubs really to take the step from a lower position and establish themselves on the biggest stage in recent times are clubs like Manchester City, Chelsea FC and Paris Saint-German, who all have had an investor supporting them, willing to spend as much as it took to get success. To get an indication of how much we are actually talking about, we can see that both Manchester City and Chelsea FC have a net transfer expenditure of more than €600 million over the last decade.[107] It is therefore clear that such an investment will not be within the rules of FFP, even with the acceptance of yearly loss in the beginning of FFP.

The removing of the possibility for clubs to be externally financed to the top of European football is the main reason for the critically view on the future from many experts. They point out that the top clubs of European football have created a cartel-like situation. [108]These clubs were the ones that agreed to the FFP regulation's introduction and will perhaps have the biggest advantage from it. If this is the case, it could be a worrying legal behaviour, since it would be a violation of TFEU article 101. No one knows exactly how much the clubs where involved in getting the regulations through

[107] http://www.transferleague.co.uk/league-tables/transfer-league-table-2003-to-date.html?font-size=smaller
[108] http://www.givemesport.com/410490-uefa-crisis-european-footballs-fournation-cartel

and their exact role in all this. The concerns of many journalists and researchers, analysing the expectations to FFP and the competition in European top football, is that they are afraid that the clubs have taken advantage of their current position to secure their future and that the competition will be the victim.[109]

Ed Thompson, who is a Financial Projects manager for one of the world's largest banks and is considered one of UK's leading analysts of UEFA's FFP, shares this view.[110] He states that because the income is so important after FFP has been introduced, the clubs receiving most prize money, TV broadcasting money and with the biggest sponsor deal now, will have a great advantage compared to clubs that right now is not a part of the absolute elite. He sees this situation as the underlying reason for a possible lack of competition and that the FFP regulations in the end would be better described as an inequality of income, rather than a restriction on club's ability to spend. He even says that this was never the intention of FFP, instead he points out that:

"Although many would like to see a more exciting Champion League, UEFA's FFP rules were never intended to make football more competitive. The FFP rules are intended to bring greater stability and sustainability to European Football."[111]

Whether this is actually the case or if the outcome of FFP, in regards to the competition on the elite level, will be affected, is something only time will tell. We do however believe that the cartel-like situation between the best clubs in the big 5 leagues in Europe, is a worrying scenario.[112]

In contrast, others do not share the view of Ed Thompson.[113] They see FFP as a chance for the smaller clubs to earn their way up to the elite. Everyone agrees that next couple of years will be characterised by a continuing dominance by the current elite clubs. Though now, the gap between the clubs might be too big to change short-term, they see the limitations on external investments as an opportunity to stop the clubs from overspending to stay at the top in the future. As we already see, some of the biggest clubs like Real Madrid and Manchester City have to sell some of their top

[109] The Marquette Sports Law Review – Clinton R. Long – Promoting Competition or Preventing? A Competition Law Analysis of UEFA's Financial Fair Play Rules
[110] http://www.financialfairplay.co.uk/contact-us.php
[111] http://www.financialfairplay.co.uk/latest-news/widening-gap-between-elite-clubs-and-the-rest-
[112] Could also include other big clubs like Porto, Celtic and Galatasaray
[113] One of them is UEFA General Secretary Gianni Infantino. Press conference in Nyon, March 2014 - http://www.uefa.org/protecting-the-game/financial-fair-play/news/newsid=2067210.html

players, to be able to make new transfers.[114] Both clubs are still spending hundreds of millions of Euros on transfers, but we see that even these kind of clubs has to make room financially to the new players. Real Madrid sold seven first team players to balance their economy. These are examples which can be seen as signs of improvement and more consideration when even the biggest clubs have to adapt to the transfer market.

A clubs income is roughly divided into 3 different revenue streams; TV broadcasting money, sponsor deals and commercial income, such as match day income and merchandise. Even though clubs at the moment are still allowed to have a significant debt covered by investors it is the limitation of this[115], which in the end could make it possible for all clubs to compete financially with top clubs. Looking at the three different revenue streams, we can argue that FFP helps the competition on match day revenue, since they have made it possible to invest in this area without influencing the break-even principle. This area of income, which is considered match day revenues is of course affected by many different factors, such as location, popularity etc. Nevertheless, the gap between clubs in the same country and league will depend mostly on capacity, which we already have stated is changeable without being concerned with the FFP regulations.

This leaves out sponsorships and TV broadcasting money to be competing about. The TV broadcasting money is of course not divided 100% equally between all clubs, but in most countries, such as England and Germany the difference in income between first and last place is not big. We do acknowledge that countries like Spain are still struggling with individual handling of broadcasting money, but the trend is to make the distribution more even. If we look at Premier League in England as an example of how the broadcast revenue is divided between the clubs. They use a 50:25:25 principles, meaning that 50% is divided equally between the clubs regardless of the position they end on, 25% is awarded on a merit basis, which is determined by a club's final league position and the final 25% is distributed as a facilities fee for the number of matches shown on television involving the club. To put the amounts in to perspective the current media right packages for the Premier League were sold for a total of €2.09 billion.[116] The critics who believe in more competitive professional football in Europe after the introduction of FFP, sees these kind of more equally divided

[115] UEFA Club Licensing and Financial Fair Play Regulations – Edition 2012, Annex I
[116] http://www.premierleague.com/en-gb/fans/faqs/how-much-clubs-receive-broadcast-money.html

broadcasting deals as a vital key for its success. Meaning that this part of the three revenue streams is also relative competitive and at least not something that by itself can create a major anti-competitive situation.

In the end, sponsorships will be the deal breaker between the earnings of the elite or the lower ranked teams. This is a more difficult part of the revenue streams to predict. What many believe is that this part will be so important for the clubs that many different sponsor agreements will be made for even more money. The predictions is that there will come a time, where you as company will not get enough attention as a sponsor and will have to seek to lower tier team or other countries. As previous mentioned with Manchester United and Sharp, we do not see sponsors as a part of the club in the same way as we did earlier. There will of course always be difference in the size of the sponsorships and the question is how competitive the smaller clubs can be. Whether they can manage to brand themselves on a level where they in the long run can challenge the top teams. The smaller clubs shall be better to promote themselves and positioning them on a global scale, to even get near the elite clubs sponsor deals.

It is not easy to predict what FFP's real impact on the competition will be. There are many changing variables and much can be affected of the development in popularity and economy in the different leagues and countries. Legally we do see some worrying signs on cartel-like behaviour from the biggest clubs. In the economic part of this thesis, we will have a closer look at the effects of the FFP regulations.

2.7 What is the real effect of the FFP regulations on other parties than clubs?

The FFP regulations are regarding clubs and their finances, but when you are regulating one part, in this case the clubs, it will automatically affect other parties as well. As previously mentioned both sponsors and players will be deeply affected by the new regulation of clubs finances. At this early stage with FFP, it will be difficult to tell, but it will be interesting to see what the actual impact will be on these parties over a longer period of time. What we can look at though, is the state these two influences are left in, after the introduction of the FFP regulations and what to expect.

2.7.1 Players

Players are signed by the clubs and their most valuable objectives is to play at the highest level possible, meaning to play for as good a club as possible, and to get paid as much as they can. For a player as an individual stakeholder, the clubs are their product and at the same time their employer. They are strongly affected by the clubs economic state, which dictates the players' opportunities in the market. Many different factors defines a players satisfaction and even though salaries plays a big part of it, players differs from regular companies or stakeholders. Prestige, geographic location, championships etc. all have a big effect on most players. As we have stated earlier, clubs are now more limited in regards to offering salaries to players and in that way the players are negatively affected by the FFP regulations. Whether or not this is the case depends on the clubs approach to their finances and the development of their economy. This is the situation for the players after the effect of the previously mentioned relative salary cap restriction. At the same time the limited allocated resource for salaries can result in smaller first team squad, which will give a fewer amount of players the possibility to play on the highest level.

This being said, it could however, have a positive effect for some players. Many players are fighting for game time in their respective clubs and getting unhappy with their situation, without being able to change clubs. The restricted salary budget will force the clubs to sell players that are not a part of the starting eleven, players they might otherwise have kept as a backup in case of injuries. Selling these players will give the clubs more room in their budgets for transfers and more important players' salaries. We could already see this tendency in this summer's transfer window. This is again best showed by the fact that even a club like Real Madrid had to sell some quality players to be able to afford new stars. They are the leading club in yearly revenues, but they still had to get rid of their second best striker, two key offensive midfielder and five other first team players, before they could afford the new stars in their squad. Maybe not all of these players wanted to leave, but for the most part it was players who needed game time and gladly took the possibility to make their career blossom again.

The players' situation has definitely changed. It will possibly lower the average salary for the players, but with the increasing focus on revenue growth from the clubs, we are confident that we still will see new record signings and salaries. Smaller squads can both be positive and negative for players and it will probably vary a lot in the individual situations. It will however help the competition between the players and make more transfers possible. Having the expected focus on youth development in mind, one could argue that it will be easier for young players to get the proper football education, and smaller squads leading the way to first team football for young players. As a whole, the impact from FFP on the players at first looks negative, but in the end it might give new opportunities for both young and old players. You could argue, that since professional footballers earn so much already, the possible small loss in salary is well spent in form of a better competition and greater opportunities.

2.7.2 Sponsors

The current concept and perspective of sponsors and sponsorships will change after the introduction of FFP. Never before, have the sponsors been such a vital part of the clubs position in European football. This is now the most secure way to get a steady cash flow and the best way to gain unexplored revenue streams.[117] Player sales and competition money can vary a lot through the years and the amount of income will often go hand in hand with the success on the field. While the commercial income is hard to control and increase for a specific club, sponsor agreements is in their own control and is a result of many different variables, such as negotiation skills/power, future prospect, reputation, fan base etc. Sponsorships will be a vital part of clubs finances and competitiveness. The clubs will have to find new ways to increase revenues from sponsors, be as innovative as possible to create new possibilities.

The clubs increased attention and dependence of sponsorships will without a doubt change the conditions of the foundation on which the deals will be agreed upon. On one-hand companies who are interested in becoming sponsors will now find it easier to get involved in some part of the clubs organization, since this will allow different companies to sponsor different parts of the organization.

Giving more companies the opportunity to associate themselves with popular and well-known sports clubs will of course be an interesting option for many, but at the same time, it diminishes the existing relationships and the single sponsor agreement between companies and football clubs. As

[117] Deloitte Football Money League 2013

mentioned earlier we can already see a change in the loyalty and consistence in these relationships.[118] The clubs now change sponsors more frequently and are only focused on one thing, increasing revenues. The clubs are demanding more and more money from the sponsors, regardless of whatever history those have together. A resent example of this is Arsenal FC, who changed one of the most important sponsors for a club, being the shirt provider. Even though they have collaborated with Nike since 1994, they are from the coming season changing to Puma, to get the best deal possible. The clubs now have many options and can choose between many lucrative offers. Moral is not a common attribute for a football club and this summer's dispute between Newcastle United and their player Papiss Cisse shows it quite good. Newcastle changed their sponsor to the pay-day money lender company, Wonga. Papiss Cisse being a practicing Muslim refused to wear the jersey with the new sponsor, stating that it was against his personal and religious beliefs to support the company. In the end, he agreed to wear the shirt, but in the meantime he was refused to participate in training camps and the club was ready to sell him, in order to silence the case. That a club is prepared to let players go and support an unflattering company to maximise their revenues, points out how the clubs prioritise. It is this reality that the sponsors will face even more in the future.

We can see that a sponsor is faced with new standards and a changed market. Having in mind, that the product for the sponsors is visibility through sponsoring clubs, the value of their purchase is defined by how much coverage and brand recognition they get. This coverage and association towards the club brand is directly affected by the amount of sponsors and how much the agreements include. With the introduction of FFP and clubs enhanced focus on increasing revenue streams, every possible part of the organisation around a club will be sponsored. We can already see clubs selling out the stadium names, but also smaller things that normally would be covered by the main sponsors, such as training facilities and clothes, and travel sponsors. If we again look at Manchester United's sponsor agreements, they have 34 official sponsors[119], which even include car tyres sponsors and motorcycle sponsors in Thailand.

[118] Clubs have now multiple sponsors competing for the attention of the consumers. Example Manchester United http://www.manutd.com/en/club/sponsors.aspx
[119] List of sponsors for Manchester United; http://www.manutd.com/en/Club/Sponsors.aspx?pageNo=1

The tendency is that sponsorships are getting more and more expensive with less visibility included. Therefore, even though more companies have the possibility to be affiliated with specific clubs, the value of the agreement for the single company might have been decreased. We must however take into account, that European football is getting more and more popular around the world and it therefore will help increasing the value of the sponsor agreement and give the companies new possibilities. If the FFP regulations can make UEFA's competitions and European football more competitive and interesting for the viewers, the new rules might help the sponsors in getting more out of the deals. The enhanced greediness from the clubs will however leave out the biggest part of the sponsors as losers. The FFP regulations affect the economics of the sponsor market, but to argue that it has an anti-competitive effect would be an overreaction as the situation is now. Contrary it opens up for more opportunities for both sponsors and clubs, and increase the competition between interested companies. To win this situation over you will have to be innovative and creative, use your market position, your product and the club you are cooperating with.

2.7.3 Related party transactions

As there is now a limit to how much money the owner can inject in order to cover deficits in the clubs[120], the issue of related party transactions becomes relevant[121]. In order avoid creative solutions to get equity into the clubs through for example inflated sponsor deals. UEFA has taken this into account with certain restrictions in the regulations. If a deal is deemed to be a related party transaction in the eyes of FFP[122]. There must be transparency in the accounting periods for all transactions[123] and related transactions such as sponsorships and facility naming rights will have to go through a fair value evaluation where the real value of the deal is found by benchmarking it against the rest of the market.[124] If a transaction is found not to be at fair value, an adjustment will be made for the break-even accounts.

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[120] UEFA Club licensing and Financial Fair play regulations – edition 2012 – Part III – Break Even accounts
[121] Has already been an issue with clubs like Manchester City and PSG
[122] UEFA Club licensing and Financial Fair play regulations – edition 2012 – Annex X, Litra E, 1-5
[123] UEFA Club licensing and Financial Fair play regulations – edition 2012 – Annex VI – Minimum Disclosure requirements
[124] UEFA Club licensing and Financial Fair play regulations – edition 2012 – Annex X, Litra E, 7.

2.8 Other Solutions

In order to find out what the alternatives are to the FFP regulations we look at solutions chosen in national leagues and other sports to see if there are other or better solutions out there.

2.8.1 German Standards

Another way to create a more sustainable football league is already practiced in Germany. The German Bundesliga clubs seems to be run with much more responsible. They have introduced the 50 + 1 model, which means that its supporters must own 51 % of a club. This protect the clubs from being taken over by investors looking to earn some quick money and fame without any concerns for the consequences. It is of course still possible to pump money into the clubs by investors, but no individual can take full control of a club as it is seen in other leagues.

There are many reasons for this; one is to encourage club owners to pursue longer-term growth strategies and to avoid excessive risk-taking or debt, and another important part of this, is to make sure that football is still in contact with the fans and the society around them. If we look at how the clubs manage financially, the effect of the 50 + 1 rule, has made the clubs prioritise commercial income long before the FFP regulations were introduced. German clubs have had to focus on getting most out of their sponsors to compete internationally, instead of bringing in new owners. Take for example the dominant German club, Bayern Munich. They initially shared ownership of their home ground, Allianz Arena, with the club TSV 1860 Munich. Now they fully own the venue and lease it back to its former partners. Bayern then sold the naming rights to the financial services company, Allianz, who are reportedly paying €8 million per year for 30 years for these rights. Other different initiatives such as creating good relationships with large local business, helps them in keeping healthy revenues from sponsor deals and at the same time create a connection to the local society. This is of course not all cities that have the same companies surrounding them as Munich, but the concept is the same as the idea behind the 50 + 1 rule; to make sure that football clubs focus on sustainability both economical and organisational.

Initially all Bundesliga clubs were included in the 50 + 1 rule, but two clubs got an exception that allows them not to follow the rules regarding ownership of more than 49 % from anyone else than the supporters. The clubs VfL Wolfsburg and Bayer 04 Leverkusen are both owned by the major international companies, the car manufacture Volkswagen AG and the medical company Bayer AG. After some protest it was stated, that a company could own more than 49 % of a football club, if the company had shown genuine interest in the clubs wellbeing and been owners for more than 20 years. It is still argued whether or not this decision is fair for the other clubs, but without any new conclusions.

As a part of the 50 + 1 rule, they introduced strict cost controls to prevent the clubs from overspending. Therefore many look at the German model as the first step towards financial fair play. It is still possible for the clubs to have debt, they can overspend on wages and the like, and the Bundesliga is far from perfect. However, with the introduction of FFP, the German clubs are well prepared and can very well have an advantage over their foreign competitors.

2.8.2 Similar restriction in other sports

European football is not the first sport struggling with a poor economic situation due to high salaries. The major American sports leagues: NFL, NHL, MLS and MLB[125] have chosen different types of restrictions.

In American Ice hockey, now NHL, they first met this problem during the great depression in the thirties. They implemented a salary cap for the clubs and for the players in order to help the league and clubs with the effects of the bad state of national economy.

The question of salary cap in the NHL caused a lockout in 2004-05 when the clubs and its owners felt the salaries where getting out of control, the clubs were paying about 75% of their revenues on salaries[126]. When the players association, NHLPA, agreed to a salary cap after the whole season was cancelled the profitability of the clubs improved. One important factor in the salary cap is that the clubs agreed to a revenue share model which increased the salary cap for each individual club and made it more even and therefore competitive in the league. The salary cap is a hard one with some league specific exceptions for injured players, farmer team players and bonuses. In reality it works

[125] National Football League, National Hockey League, Major League Soccer and Major League Baseball
[126] Deloitte Annual Review of Football finance – Highlights June 2013

as a “first-team” base salary cap. They have taken measures to ensure that costs and revenues cannot be moved from one season budget to another to avoid stretching of the rules

Another sport that has a hard salary cap is the NFL where the clubs have both hard salary cap and a hard salary floor. This combination with a complex set of calculations for the 55 man squad ensures that the clubs invest in a strong squad, but avoids giving the richer teams freedom to spend as much as they want. There is no revenue sharing between the clubs like in the NHL, but because the salary cap is the same for all clubs the richer clubs does not get as big an advantage by having more to spend. The NFL sanctions for violating the salary caps are very strict and imposing with million dollar fines, loss of draft picks and lower salary caps for a period of time as sanction possibilities.[127]

Today the big issue is the increase in player salary more than the economy. So the restrictions are there to keep the competition in the league at a fair level. Major league baseball has chosen a Luxury tax restriction, where the clubs have a maximum limit for salaries, if a club breaks the limit they have to pay a tax, which increases every year the limit is broken. The income from the luxury tax is used to fund player benefits, investment in baseball programs for countries which do not have high school baseball and a part of it goes into the Industry Growth Fund (IGF). The IGF is a fund that is sat up by the MLB with three main goals in mind, increase baseball’s popularity, ensure industry growth and enhance fan interest in the game. The fact that there is only a luxury tax and no salary cap, means that the richest clubs can still invest heavily in their hunt for trophies as long as they are willing to pay the taxes. This is exemplified through New York Yankees who have paid over 90% of the overall tax income from the luxury tax since its introduction in 2003.

One of the major goals for the soft salary cap through a luxury tax is to keep the league competitive, and through the last 30 championships there have been 19 different winning teams which must be considered competitive. Whether this is because of the financial restrictions alone is not proven, but it is reasonable to believe it has had an effect.

In Major League Soccer they also have a hard salary cap which is calculated by the top 20 players out of 30 in the team rosters. In addition to having a team salary cap they have individual player salary caps, and also a salary floor based on roster placement and age.

[127] Cowboys and redskins penalties in 2012

We can see that there are alternatives that have been more or less successful in other major sporting leagues, and it looks like most of the major sporting leagues are implementing some kind of regulations. Most of them are also considered to have a better CB than European football.[128]

2.9 Legal conclusion

The analysis shows that the EU law is applicable for sports regulations as long as it constitutes an economic activity, which the FFP regulations do. What separates FFP regulations from other business agreements are EUs rules on sports specificity.

In the analysis of the FFP regulations in regards to TFEU article 101, it is found that the UEFAs objective of decreasing pressure on salaries is anti-competitive for the players by object. The FFP regulations works as a relative salary cap for the players and is a violation of the article. In TFEU article 101(3) there are four conditions that needs to be fulfilled to be exempt, it is questioned whether the indispensability condition is fulfilled as there are other possible measures that could have the same effect and be less intrusive.

The Commissions White Paper on Sports is used to supplement the EU legislation and gives the sports regulator, UEFA, some room to set the rules for the sports, which may allow them to infringe of EU law in some cases as long as it is relative to legitimate sporting considerations. Whether the infringements are within their purview must be evaluated on a case-by-case basis.

In the analysis it was uncovered some other objectives than the six stated by UEFA in the FFP regulations. One objective is to avoid rich investors coming in with deep pockets and disrupting the market situation by inflating prices with high spending. Contradictory to normal businesses limiting investments can be justified if it is for the good of the sport.

[128] See winners of the leagues in the last years, except German football.

3 Economic Analysis

3.1 Introduction

In the economic part of this thesis, we look at how the FFP break-even principle is calculated. We also look at the state of the CB is in the five biggest leagues in Europe and how the CB is influenced by the income from the CL tournament. This is done through a market pool analysis, and by comparing the income received by the top two teams in each league from participating in CL, with the rest of the leagues turnover and thereby how it affects the CB.

In order to understand why there is a need for regulation we use game theory principles to show why the clubs act the way they do. We sum it up by analysing if the FFP model is for the best of the sport.

3.2 Financial Fair Play Regulations – Break even principle

The FFP regulations are a break-even idea about balancing the income and expenditure. The rules are based on the clubs financial results in a determined reporting period. Not following the rules of set by UEFA, gives UEFA a chance to impose sanctions on the clubs in regards to participation in UEFA tournaments.

The clubs are permitted to have a maximum level of deficit per season. We will show which expenses are included in the break-even accounts and which are not a part of it.[129]

For this thesis, we mention the most relevant expenses and incomes for the clubs, and show a model of how the accounting is done.

[129] UEFA FFP regulations Annex X

Income

The break-even result for a reporting period is calculated as relevant income less relevant expenses[130].

Relevant income is equivalent to the sum of the following elements[131]:

a) Revenue – Gate receipts

b) Revenue – Sponsorship and advertising

c) Revenue – Broadcasting rights

d) Revenue – Commercial activities

e) Revenue – Other operating income

f) Profit on disposal of player registrations (or income from disposal of player registrations)

g) Excess proceeds on disposal of tangible fixed assets

h) Finance income

Relevant income is decreased if the elements a) to h) include any items below:

i) Non-monetary credits

j) Income transaction(s) with related party (ies) above fair value

k) Income from non-football operations not related to the club

[130] UEFA Club licensing and Financial fair play regulations, Article 58

[131] UEFA Club licensing and Financial fair play regulations, Annex X, A

Expenses

Relevant expenses are equivalent to the sum of the following elements:[132]

a) Expenses – Cost of sales/materials

b) Expenses – Employee benefits expenses

c) Expenses – Other operating expenses

d) Amortisation/impairment of player registrations and loss on disposal of player registrations (or costs of acquiring player registrations)

e) Finance costs and dividends

Relevant expenses are increased if the elements a) to e) include the item below:

f) Expense transaction(s) with related party(ies) below fair value.

Relevant expenses are decreased if the elements a) to e) include any items below:

g) Expenditure on youth development activities

h) Expenditure on community development activities

i) Non-monetary debits/charges

j) Finance costs directly attributable to the construction of tangible fixed assets

k) Expenses of non-football operations not related to the club

[132] UEFA Club licensing and Financial fair play regulations, Annex X, B

Monitoring periods

The monitoring periods are normally three seasons, with the exception of the first period, which is two seasons. The following model shows how the monitoring periods are sat up and what kind of deficit is permitted over this period. As we can see, the max allowed deficit lower for the 2014/15 season and onwards. [133]

Monitoring Periods	Football Seasons 2011/2012	2012/2013	2013/2014	2014/2015	2015/2016	2016/2017	Max permitted deficit**
1	wage exclusion*						€45 million
2	wage exclusion*						€45 million
3							€30 million
4							€30 million
5							€30 million
	*Wages for players signed before 1 June 2010 excluded for 2011/2012 season only ** Max deficit is € 5 million per Monitoring Period if equity not injected into club						

Permitted deficit

UEFA has set up monitoring periods in which the clubs are allowed to have a deficit. As a rule, clubs are not allowed to have more than € 5 million in deficit unless the owners cover the deficit.

If the deficit is covered the clubs are allowed to have a € 45 million deficit over two years in the first reporting period, following this the clubs are allowed less and less deficit over three years periods. This is an adjustment period for the clubs to gain back control over their clubs finances.

[133] Modified table from UEFA - Financial Fair Play – Media information – 25 January 2012 – page 5

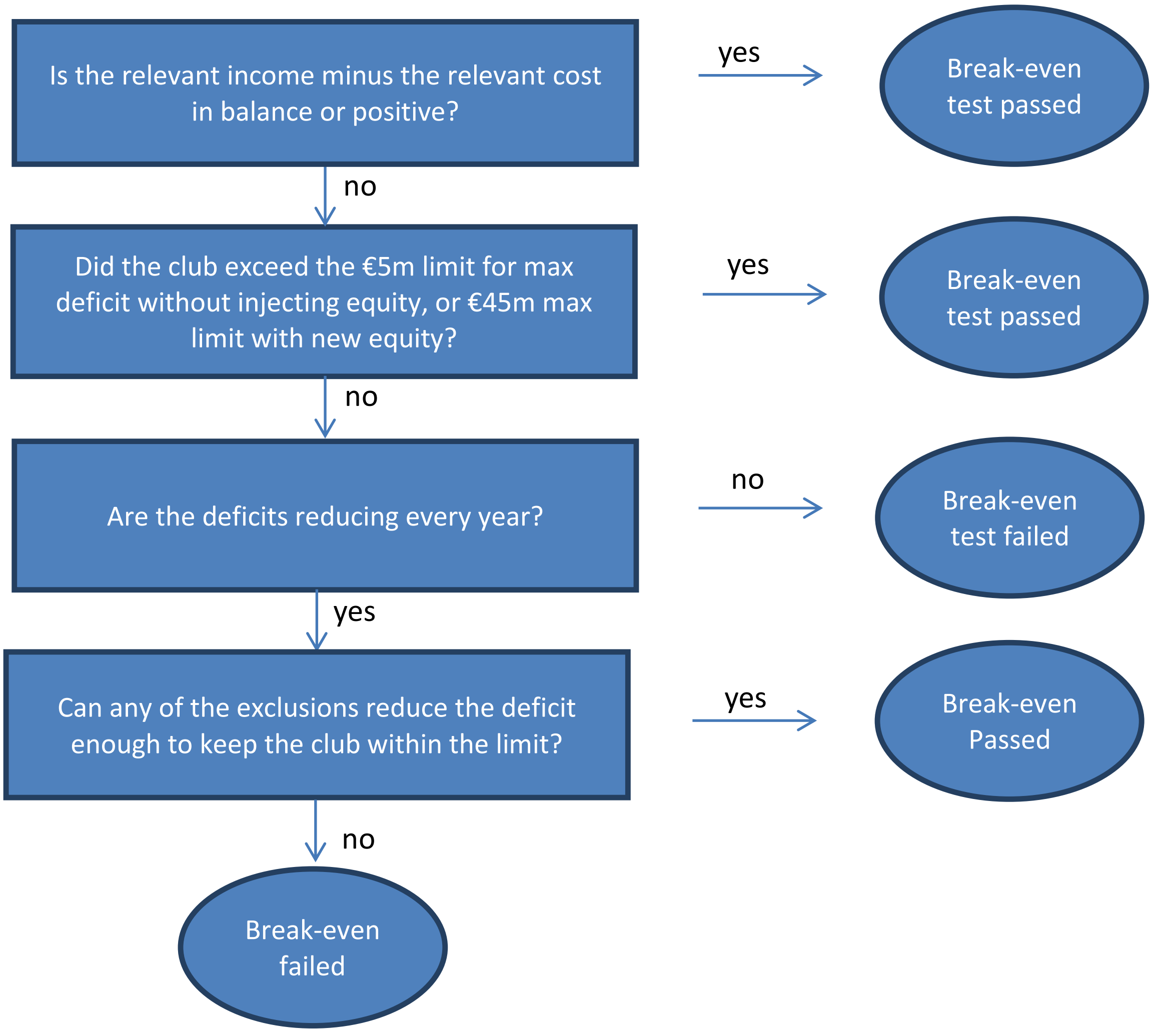
Fair Value

UEFA has set down a panel that will go through any suspicious sponsorship deals, and assess it to set a fair value on the deal for accounting purposes. This to avoid inflated deals above market value from parties related to the club or its owner(s)[134].

In order for UEFA to evaluate, the fair value of a sponsorship deal they first have to conclude if there is a related party transaction according to FFP regulations.[135] The value of the sponsorship deals cannot be more favourable than if there was no related party relationship. [136]

Break even

Here is a model of how the break-even requirement is evaluated to get a better idea of how the process is.



[134] UEFA FFP regulation article 58, 4
[135] UEFA Financial Fair Play regulations - Annex X (E.7)
[136] www.danielgeey.com/financial-fair-play-and-psg

3.3 Competitive Balance

The term "competitive balance" (CB) generally refers to research on the distribution of wins in sport. The concept of CB is primarily to estimate the competition between teams in a sports league and thus to see whether the result of a sporting event is uncertain or not. This is called "The uncertainty-of-outcome hypothesis" (UOH) and was first written about in a scholarly article in sports economics by Simon Rottenberg in 1956.[137]

CB and UOH is connected in the way that the distribution of wins in a sports league reflects how uncertain outcomes are in that league. Both are based on the vision that fans interest in sporting event depends, in part, on the perception that outcomes are uncertain. The way CB is calculated is based on the certainty of the result, the more uncertain a result is, the higher CB will there be in a league. As well as you can use CB to estimate whether the outcome of a league is more or less predetermined for the clubs year after year, or if the outcome of the clubs rankings is uncertain and changing every season. In a league with a high degree of CB, all the clubs will have an equal anticipation to get good results and end the season at the top of the league.

There are many different ways to calculate CB. In academic studies, you will normally measure either "match uncertainty" or "seasonal uncertainty", which both can be compared across leagues. Match uncertainty refers simply to expectations about a particular game, and can be measured as easily as studying the pre-match betting odds.[138] When looking at a seasonal uncertainty you go beyond looking at the uncertainty about a specific match, and look at how the competition is in the overall championship race of a league. This can also be measured in many different ways, such as the date at which the league winner becomes known with certainty or more generally, the standard deviation of success among the teams.

All of these different ways to identify CB is telling us something about CB in a "static" sense. Static meaning one particular game or a particular season. For many stakeholders such as fans, players and sponsors it is however much more interesting to look at the development of CB over a period

[137] Oxford Handbook of Sports Economics: The Economics of Sports Volume 1
[138] Static versus Dynamic Competitive with reference to ”A review of these studies provided by Szymanski and Kuypers (1999)”

of time, called “dynamic” CB. When looking on CB in a dynamic sense you consider the frequency of teams entering a specific top position in the league. You can use different approaches when ranking the teams, such as win percentage, position, distance between top and bottom etc. By analogy we can think of dynamic CB like the spread of an epidemic; the more balanced a league the more rapidly teams enter the ranks of the specified top position.[139]

3.3.1 Competitive Balance in European top 5 leagues

In sports, the balance of competition is essential to the interest from fans and media. This has led to different theories about measuring this CB. So in order to analyse how the effect of the FFP regulations will be, we will look at how the CB is in the different leagues. We will look at both static and dynamic models in order to get an overview of the current situation.

We will look at the English, Spanish, Italian, German and French league to see what teams qualify for the UEFA CL, and if the CB in the leagues differ from league to league.

Competitive Balance Models

To have a closer look at the CB in the top five European leagues[140] we will analyse the CB in the different leagues over the last five seasons. The methods we will be using are as follows:

- Static CB: Measuring the difference when the top teams are playing the bottom of the league but not taking into account if the same teams constantly are in the top. Additionally, the static CB can be measured by the outcome of the top playing the bottom.[141]
- Dynamic CB: Measuring how often the same teams, over a certain time period, are constantly dominating the top of a league[142]

[139] Static versus Dynamic Competitive Balance by Buzzacchi, Szymanski and Valletti
[140] Premier League, La Liga, Bundesliga, Serie A and Ligue 1
[141] Troelsen, Dejonghe, The need of competitive balance in European professional soccer: A lesson to be learned from the North American professional leagues, 2006
[142] id

Static CB:

The CnICB is an indexed model[143] of the Cn ratio[144] model, which looks at the number of points gained by the n teams in the league out of the total number of points gained in the league. It shows the relative strength of the top teams in the league and how the CB is in each season.

$$\mathrm{CnICB} = \frac{Cn\ Ratio}{n/N} * 100; Cn\ Ratio = +\frac{\mathrm{Pn}}{PN}$$ [145]

The Indexing is used to take into account the number of teams in the leagues[146], as Germany has only 18 teams in the top division while the other leagues have 20.

The index will show how many average points the n teams will achieve compared to the average points per team in the league all together.

When all the teams get the same amount of points, the index will be 100.

We have decided to analyse this model in three ways, a C2ICB analysis with the two best teams, a C5ICB analysis to check the top 5 teams, and C(UCLQ)ICB analysis which looks at the teams who qualify for CL.

Our starting point was to make a C5ICB analysis, and in order to describe closer the changes in this version of the model we add the two other. By adding the C2ICB, we can see if the top two teams are dominating the other top teams. For the context of the thesis as a whole, we find it relevant to look at the C(UCLQ)ICB as well.

[143] Troelsen, Dejonghe, The need of competitive balance in European professional soccer: A lesson to be learned from the North American professional leagues, 2006

[144] id

[145] Novotny 2006, Feddersen 2006

[146] Michie, Oughton 2004

Dynamic CB

For the dynamic CB analysis, we have used the Dynamic top-2 CB index, D2CBI[147], to see if the same teams dominate the leagues over the five-year period. The top 2 clubs in each league is given 2 and 1 point and the teams with the highest score over the period are added up[148].

The index range is minimum 4, as there will be at least two winners even if no team occurs twice in the top 2 over the period. The maximum will be 15 as that is the most possible points if the same two teams end in the top two for the entire period.

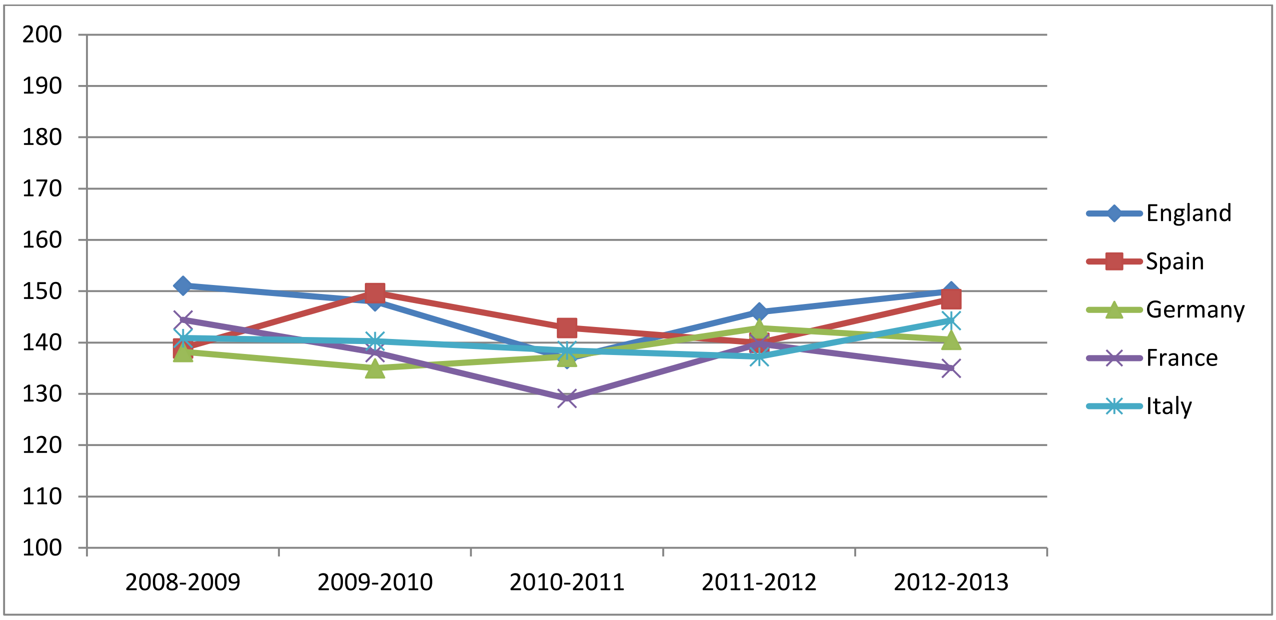
3.3.2 Static competitive balance in the top 5 leagues

In the following section, we will go through the CnICB model for the top five leagues.[149]

- The range of the vertical axis is from 100 to 200 as all index scores are within this range.
- The data analysed is over a five year period[150]
- The three variations of the model is to get a better understanding of what has happened in the CB
- Detailed background data regarding points will be used in the analysis

[147] Troelsen, Sports league design. CBS, 2008
[148] Troelsen, Dejonghe, The need of competitive balance in European professional soccer: A lesson to be learned from the North American professional leagues, 2006 and Troelsen, Sports league design. CBS, 2008
[149] C5ICB, C2ICB and C(UCLQ)ICB
[150] Seasons 2008/09 – 2012/2013

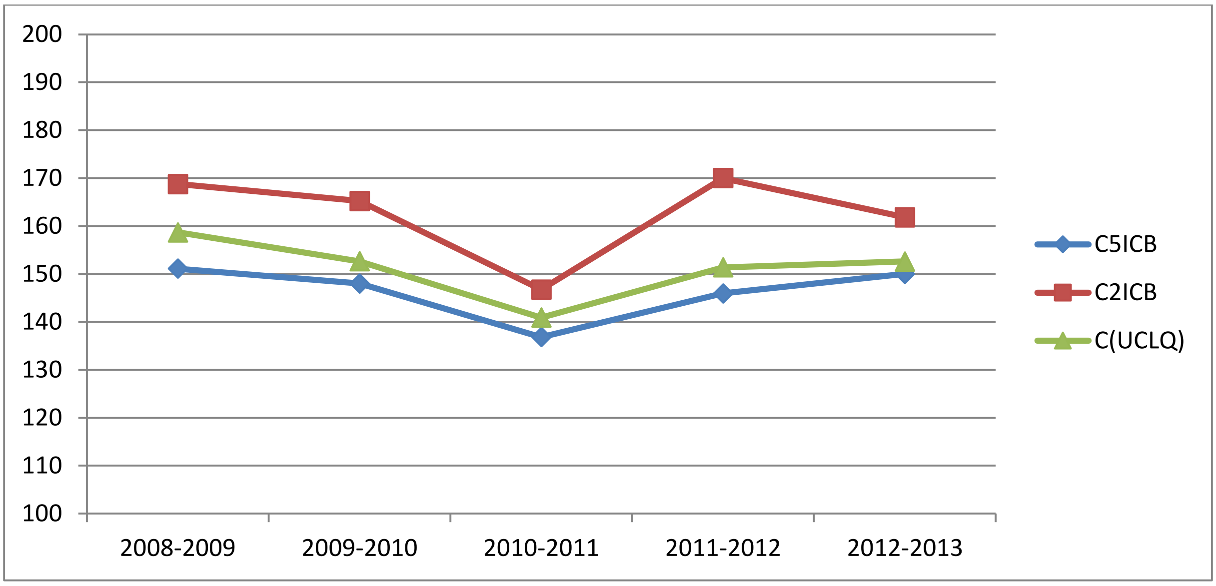
C5ICB for all top five leagues



The starting point for the CnICB analysis is this overview of the top five clubs in the leagues, C5ICB. Where we see a big variation from the highest with English PL in 2008/09 at 151.10 and the lowest with French Ligue 1 at 129.11. The following five figures will explain the CB in each league over the period.

England

English Premier League – Static CB C5ICB, C2ICB and C(UCLQ)ICB



The indexed points share in the English Premier League shows:

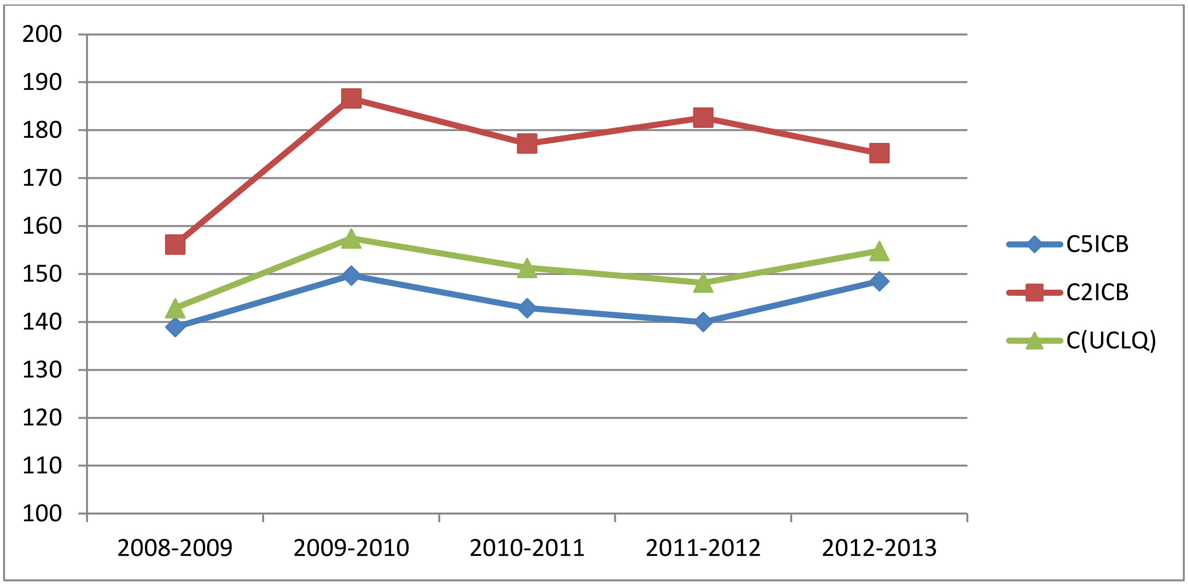
- A drop on all the indexes from the start of the period toward the middle of the period with an almost similar rise towards the end of the period. This is a sign of a more competitive league in the 2010-2011 season even though it is temporary.
- A big gap between the C2ICB and the C(UCLQ)CB with exception of the 2010-2011 season .
- The difference between C5ICB and C(UCLQ)CB is getting lower throughout the period
- Overall high index points shows a low CB in the league compared to some of the other leagues[151]

With four teams qualifying for the CL the difference between the C(UCLQ)CB and C5ICB is low, which shows a higher CB behind the top 2.

[151] Fig C5ICB for all top five leagues

Spain

Spanish La Liga – Static CB C5ICB, C2ICB and C(UCLQ)ICB



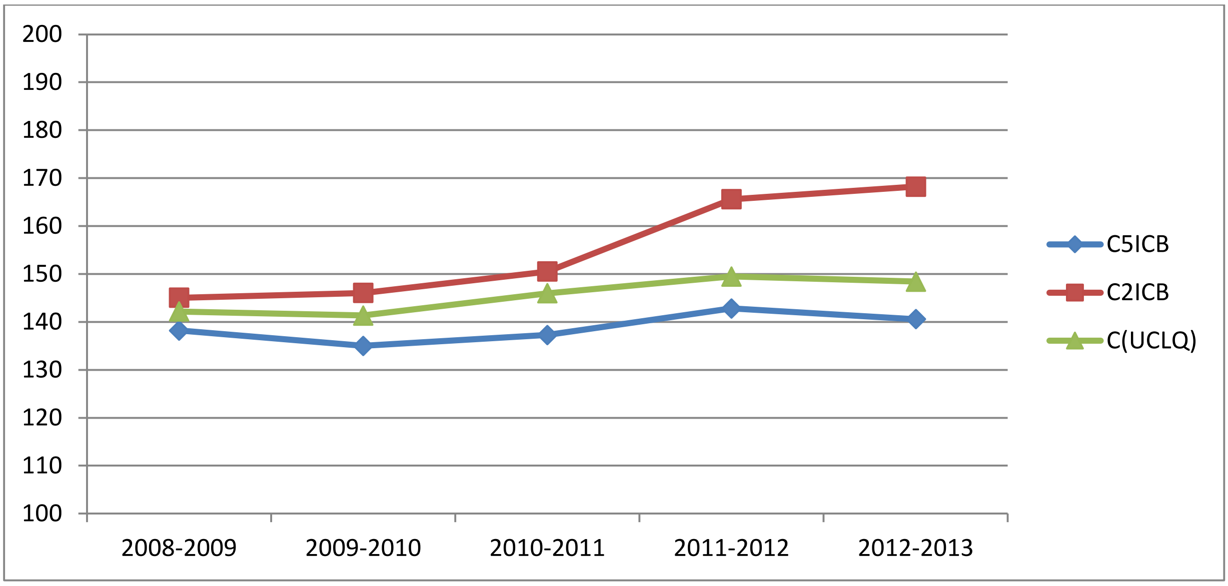
The indexed points share in the Spanish La Liga shows:

- A somewhat stable C5ICB varying from 140 to 150
- Stable difference between C(UCLQ)CB and C5ICB
- A big rise in C2ICB from 2008/09 – 2009/10 and from then a big difference between it and C(UCLQ)CB
- Overall the index for C2ICB is very high compared with the other leagues

The CB in Spain is dominated by the two top teams gaining a very high point score and has a very huge gap down to the other teams in the top 5.

Germany

Bundesliga – Static CB C5ICB, C2ICB and C(UCLQ)ICB



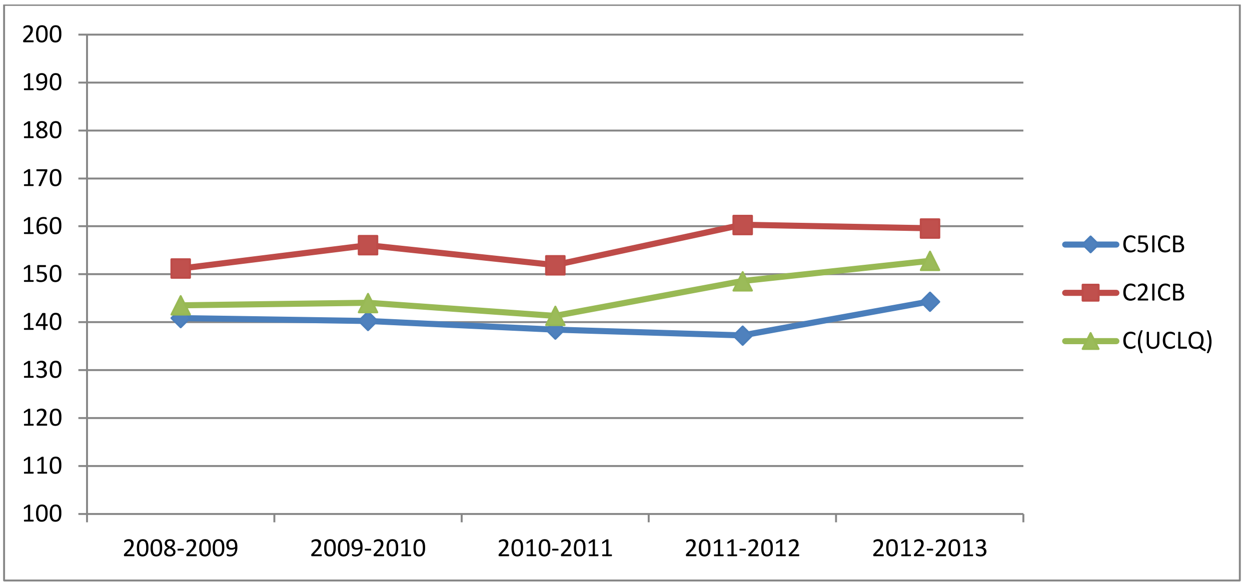
The indexed points share in the German Bundesliga shows:

- A somewhat stable C5ICB varying from 135 - 142
- Growing difference between C(UCLQ)CB and C5ICB
- A big rise in C2ICB from 2011/12 season with a big gap to the C(UCLQ)CB
- The C2ICB is very high at the end of the period

The first three years in the measured period is stable, and then a big rise for C2ICB lowers the CB in the league. The dominant strength of FC Bayern and Borussia Dortmund over the last two seasons is a negative trend for the CB of the German league.

Italy

Italian Serie A - Static CB C5ICB, C2ICB and C(UCLQ)ICB



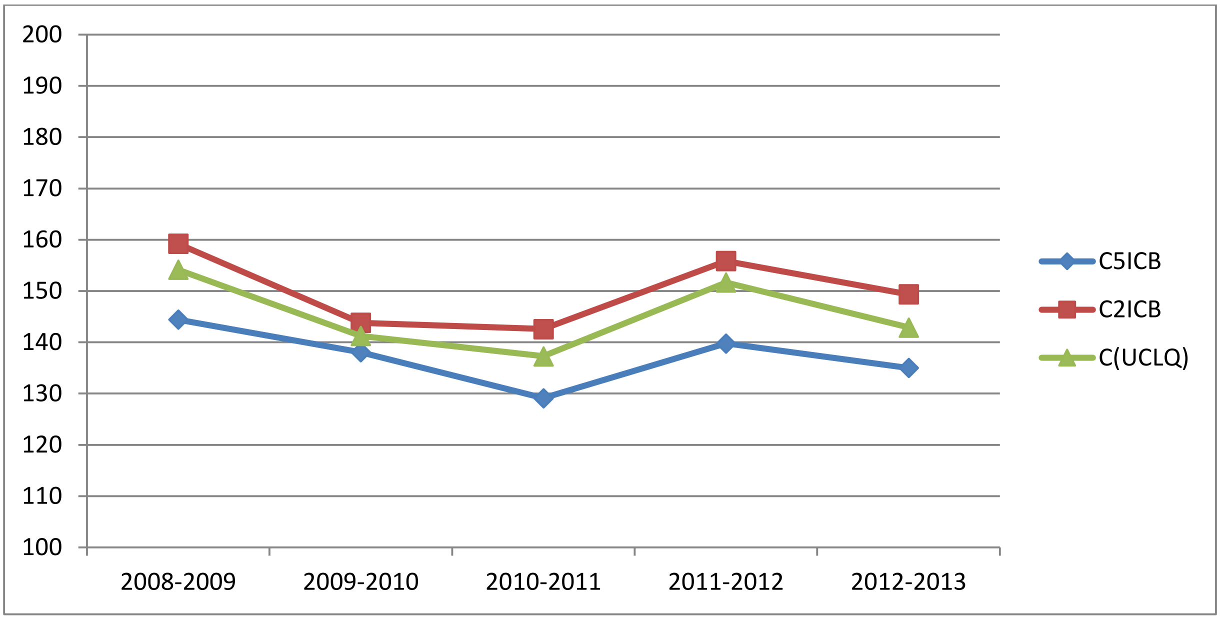
The indexed points share in the Italian Serie A shows:

- A drop in the C5ICB for the first for seasons and a steep rise in the last season
- Growing difference between C(UCLQ)CB and C5ICB in the last two seasons
- A big difference between the C2ICB and C(UCLQ)ICB for the first four seasons while a rise in the latter lowers the difference in the last season. Still a significant difference

Italy had four CL places over the first three seasons; in the last two they had three places. This has an effect on the C(UCLQ)ICB. A high index score for the C2ICB shows a strong a gap down to the other teams in top 5.

France

French Ligue 1 – - Static CB C5ICB, C2ICB and C(UCLQ)ICB



The indexed points share in the French Ligue 1 shows:

- A drop in the C5ICB for the first for seasons followed by a rise and a small drop again in the last season
- Growing difference between C(UCLQ)CB and C5ICB in the mid three seasons
- A stable difference between the C2ICB and C(UCLQ)ICB
- Overall a higher CB in the league compared to the other top leagues

France has three teams in the CL and a better CB between the C(UCLQ)ICB and the C2ICB than other leagues.

3.3.3 Dynamic CB

We have made an index for measuring the CB in for the Top 2 CBI result in the leagues.

Very low CB	14 -15
Low CB	11 – 13
Medium CB	9– 10
High CB	6 – 8
Very high CB	4 – 5

If a league get 15 points in the test it means the league is very predictable, and that the top two league positions are almost decided before the season starts. If the league scores 11-13 points the league has a low CB that means the league is predictable and you know the teams that will be fighting for the title and which teams will be thereabouts.

If a league gets 8-10 points it means the league has a medium CB, which indicates that the league title is a uncertain but you have a good idea about which teams will be able to fight for it and which team has no chance.

If a league gets 6-8 points it means there is a high CB, it is an open competition, and many teams can win the title. While if the league gets 4-5 points it means there is a very high CB and there is a high uncertainty of outcome surrounding the league title. This is the goal for the four major North American sports leagues.[152]

England[153]

Manchester United has 8 points and Chelsea and Manchester City has 3 points over the period. This gives a total of 11 points. This indicates that there is a low CB in the English Premier League. The fact that there have been four different teams in the top 2 positions over the last five seasons indicates that there is not a lot of uncertainty of outcome of the results in the league. In the period, three different teams have won the league title, which shows there is still some uncertainty

[152] NFL, NHL, MLS and MLB

[153] Appendix 1

surrounding the outcome. Manchester United has been in the top 2 throughout the period which enhance the impression of a low CB in the league.

Spain[154]

In the Spanish Primera Division, the two same teams have been top 2 over the period. Barcelona and Real Madrid has 15 points combined which is the maximum achievable number of points which shows that it is very low CB in the league and the uncertainty of outcome is almost non-existent. Barcelona has dominated by winning four out of the five seasons in the period.

With such predictability, the Spanish La Liga is mainly interesting only for the fans of the two teams, and could be harmful for the league as a whole.

Germany[155]

In the Bundesliga FC Bayern and Dortmund have 6 and 5 points totalling 11 points over the period. This indicates that there is a low CB in the league. Together they have won the last four titles, which enhance the impression of a low CB.

There is an uncertainty of who will win the title but the uncertainty is mostly, which of the two teams will win it. The last other team to win the title was Wolfsburg and they have not been in the top 2 since winning the title.

Italy[156]

In the Serie A Juventus and FC Internazionale have 5 points each, totalling 10 points which indicates there is a medium CB in the league. There have been three different winners in the period with AC Milan winning the title in the 2010/11 season. There has not been the same top two in a row during the period, which is a sign of some uncertainty of outcome in the league.

[154] Appendix 1
[155] Id
[156] Id

The league is fairly competitive over the period with five different teams gaining a top 2 finish.

France[157]

In Ligue 1 Marseille and PSG, have 5 and 3 points totalling 8 points over the period, which indicates a high CB in the league. Five different winners over as many seasons confirms that the uncertainty of outcome is very high.

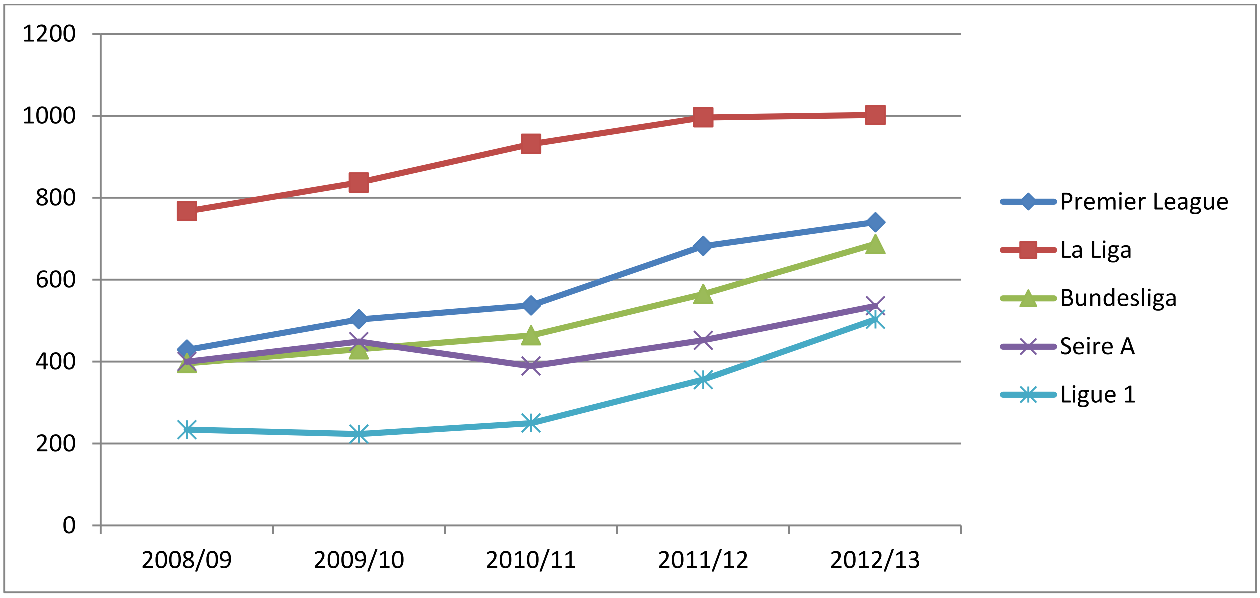
The same teams have not been in the top 2 positions two seasons in a row and six teams have managed to get index points over the period.

---

[157] Appendix 1

3.3.4 Top 2 clubs turnover

We have looked at the two clubs from the top 2 CBI model and their revenue over the last five years in order to see the difference between the leagues and also within the leagues itself. All numbers are from Deloitte's Money League rapports from the last years[158].



Here we can see a huge gap between La Liga and the others, where Barcelona and Real Madrid have shared the points the top two positions over the period and historically are the biggest clubs in Spain, and the rest of the leagues.

The English Premier League teams are second with a substantial growth over the period, closely followed by the German Bundesliga. The Italian Serie A teams have seen the least change from the beginning to the end of the period due to varying results from the top 2 teams.

[158] Deloitte Money League Rapport 2014

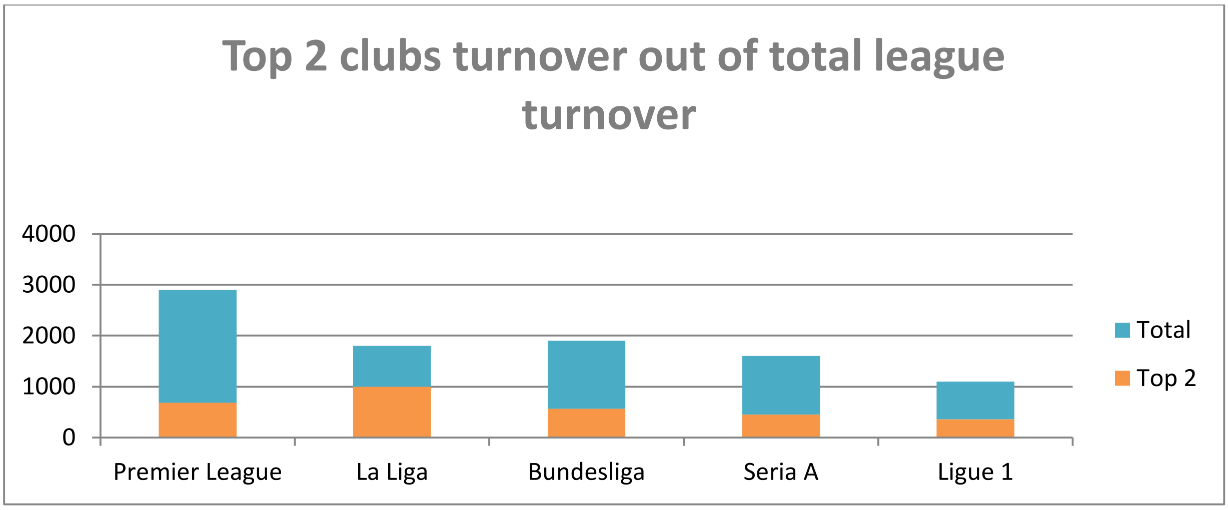
The French Ligue 1 has seen an almost exponential growth over the period, with PSG as the main reason after increasing their revenue from a small club in the start of the period to one of the big clubs in European football in the last two years. [159]

3.3.5 Top clubs compared to the rest of the league

In order to see the effect and difference between the top teams and the rest of the league we compare the income of the two top teams with the total revenue of the league.

The latest confirmed numbers from Deloitte are from 2011/2012 season:[160]

Leagues	Total turnover (million euro)	Top 2 teams (million euros)	% of total turnover	Average turnover (Million Euros)
Premier League	2900	682	23.5%	145
La Liga	1800	996	55.3%	90
Bundesliga	1900	565	29.7%	106
Serie A	1600	452	28.3%	80
Ligue 1	1100	356	32.4%	55



[159] 5th placed in Deloitte money league 2014 report
[160] The report from 2012/2013 season did not contain the turnover per league data

We can see the premier league is the biggest league by far when it comes to turnover. Still the top two teams have 23.5% of the total turnover in the league, it is the lowest percentage of the leagues but still a substantial a substantial part of the league turnover. There are in total 6 Premier League clubs in Deloitte's money league[161], which can explain why the percentage of the top two is not higher.

Spanish La Liga has the third highest turnover, even though Real Madrid and Barcelona are the top two teams in the Money league. Out of the €1800 million turnover these two teams has 55.3% of the total turnover. The dominance of these two teams is reflected in the max score on the T2CBI model and shows a very unbalanced financial and sporting competitive situation in Spain. The two teams are the only Spanish teams in the top 20 of the Money League.[162]

The second highest turnover is from the Bundesliga with €100 million more than La Liga with two teams less. With 29.7% of the total turnover in the league, it is a substantial difference from the top teams to the rest of the league. The average turnover per club in the Bundesliga is €16m higher than in La Liga. Germany has four teams in the top 20 of the Money league[163].

The fourth highest turnover is from the Serie A with €1600 million, and the top two team's stands for 28.3% of that. Considering Italy has four teams in the top 20 of the Money League, it shows a big difference between the top and bottom of the league.

Ligue 1 is the smallest in turnover with €1100 million and the second most unbalanced with the top teams have 32.4% of the turnover. PSG has taken a jump up the turnover table with huge investments from new owners and attracting new sponsorship deals. France has three teams in the top 20 of the Money League[164] and the trend is that PSG are growing their turnover much faster than the rest of the league.

[161] Deloitte Money League report 2011/2012 season
[162] Id
[163] Deloitte Money League report 2011/2012 season
[164] Id

3.4 Game Theory

Game theory considers economic scenarios and the outcome based on the decisions the involved parties makes. Game theory is defined by a scenario involving two or more "economic actors", which for example can be firms, individuals, political parties or in the world of sports, different clubs or players. Each individual economic actor has a set of decisions they can make, such as what price to charge, how much to save or any other decision with different consequences and outcome. They also need to have a "goal" or payoff, such as profit maximisation, to minimise losses or maximise happiness. In the end, the decision made by one of the economic actors may not only affect their payoff, but also the payoff of one or more other economic actors. This way you can use game theory to understand why firms and individuals make the decisions they do and how decisions made by one actor can affect other actors. [165]

A group of academic game theorists called The Game Theory Society defines game theory as:

"Game theory studies strategic interaction in competitive and cooperative environments. Only fifty years old, it has already revolutionized economics, and is spreading rapidly to a wide variety of fields. It develops general mathematical formulas and algorithms to identify optimal strategies and to predict the outcome of interactions."[166]

This sums up the essentials of game theory and its impact on economics.

Another alternative and good way to define game theory is described in the Economists "Dictionary of Economics". Where it among others states:

"Much of economic theory is concerned with the process and conditions under which individuals or firms maximize their own benefits or minimize their own costs in markets in which their individual actions do not materially influence others (perfect competition). There are, however, many cases in which economic decisions are made in situations of conflict, where one party's actions induces a reaction from others. An example is wage bargaining between employers and unions. A more simple case is the of duopoly, in which the price set by one seller will be based on his view of that set by the

[165] http://economics.about.com/cs/studentresources/f/game_theory.htm
[166] http://www.gametheorysociety.org/

other in reply. The mathematical theory of games has been applied to economics to help elucidate problems of this kind."[167]

This precisely puts it in context and shows how game theory defers from other economic theories.

The most well-known example of game theory is the prisoners' dilemma. This is a very simple example of a two-person game of strategic interaction. Without going into too many details, the idea behind the example is that two prisoners have to choose whether to confess to a crime or to remain silent, without being able to talk to each other. The outcome of their decision is dependable on what the other prisoner does, thus having to make a decision that minimise risk and maximise profit/opportunity with that in mind. As showed in this table:

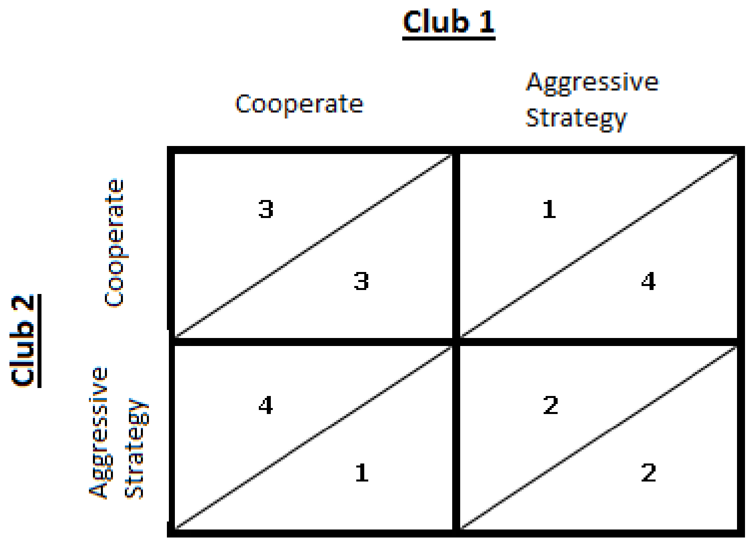
		Player 2	
		confess	don't confess
Player 1	confess	(-6, -6)	(0, -10)
	don't confess	(-10, 0)	(-1, -1)

In the world of sports, the most often occasion where we meet game theory and the prisoners' dilemma is in regards to doping, also called the athletes dilemma.[168] Here the dilemma is whether the athletes should use doping to maximise their profit, which in this case would be to achieve the best results possible. This is a specific dilemma that concerns almost all athletes but it is still on an individual level, and even though the importance of this issue cannot be neglected, it is not relevant when looking at the FFP regulations. It does however shows the significance and versatility of game theory.

[167] Dictionary of Economics by The Economist
[168] http://www.economist.com/news/science-and-technology/21581978-sportsmen-who-take-drugs-may-be-prisoners-different-game-athletes-dilemma

3.4.1 Game Theory and the FFP Regulations

Game theory in relation to the FFP regulations relies on the underlying assumption that clubs and players will act rationally, meaning that players will behave according to their preferences[169]. We assume that the preference of European clubs is sporting success (utility) at the expense of profitability. If we have that in mind and look at the figure below[170], the maximum utility can only be achieved by choosing the aggressive strategy including adherence to wage races and anticipation of entering the positive cycle.



Other factors that determine strategy in game theory are beliefs, level of cooperation and timeframe.[171] The beliefs are formed through experiences from how opponents have acted in previous games. Related to the football industry, the aggressive strategies seen in the past decades must have affected the clubs' beliefs going forward. This means that the incentive to choose a cooperating strategy diminishes, as the opponent will very likely have an attacking strategy.

[169] J. Watson – Strategy: An Introduction to Game Theory
[170] Inspired by J. Watson – Strategy: An Introduction to Game Theory
[171] J. Watson – Strategy: An Introduction to Game Theory

We believe that the very need for regulations, such as the FFP, is an acknowledgement of the clubs' lack of ability to cooperate for the greater good of the league. This further intensifies the beliefs that an aggressive strategy is the way to maximize utility.

The timeframe of this type of scenario can be described as infinite. A club may secure a win, or even a title, but the game will simply continue on to the next season. This timeframe affects beliefs because the longer the timeframe, the more time clubs have to calculate on the information about how opponents will act.

The game theoretical scenario therefore indicates that the competitive scenario, that football clubs compete in, greatly incentivizes an aggressive strategy, adhering to individual incentives. However, the FFP regulations are due to cap the level of aggressiveness, by limiting risk taking and excessive overbidding. The FFP will therefore force the teams to shift their strategies towards a cooperative scenario, which will create more collective incentives as we previously discussed.

3.5 Champions League Revenue Distribution and the Cartel-like Situation

In this section, we will have a closer look on UEFA's revenue distribution from the CL to the clubs. The reason for this is that many sees this as one of the major reasons for the dominance of the top four leagues.[172] We have analysed many aspects of CB; what can affect it, how we measure it and how the current clubs are balancing against each other, but what if UEFA themselves are one of the key factors for a lack CB? Some argue that the revenue distribution from CL is giving the biggest television markets an unfair advantage especially after the introduction of FFP.

3.5.1 A Cartel-like Situation

It is the same situation every year in the beginning of the season; will any team outside of the small group of elite clubs be able to compete for the CL title?

In the last 17 years, there have only been one year, where either the winner or the runner-up represented a country outside of the four big leagues. In fact, in 2004, both the winner and runner-

[172] English Premier League, Spanish La Liga, German Bundesliga and Italian Serie A.

up were representatives from leagues outside of the big four, but in such a long period, it will only stand as an exception to the norm.

Mostly questioned is the way the big leagues have kept their dominant position and just seems to enforce this position more and more. This is often seen in coalition to the revenue distribution form the CL to the club, which unlike most competition of broadcasting and prize money is not only distributed in accordance to how successful you are in the tournament or how many times your club have been shown on television. Clubs also receive money according to the television interest in their country. By interest, we mean how much the local broadcaster have provided to the profit of the entire competition, this extra payment besides general performance payment is called "market pool" payment.[173] The entitlement to this payment is depended on whether you qualifies to CL or not, and the amount only slightly differentiate on your performance.

This is creating a cartel-like situation, where the leagues who contribute with most money to the CL revenues also get most back from UEFA. Resulting in many scenarios where clubs from other countries who perform much better than clubs from the big four leagues, end up with a much smaller share of the revenue distribution. In a market that is so dominated by revenue streams, and with the new FFP regulations in mind, it result in a situation where it is almost impossible for clubs to compete with the elite clubs.

From many experts, it is claimed that the market pool is one of the reasons behind the big clubs support of the FFP regulations. In addition, that part of the reason for introducing it was to prevent the clubs from making their own tournament outside of UEFA.

The prediction is that this type of revenue sharing will be the biggest obstruction to a more balanced competition across the different European leagues. To find out if this really is such a large problem, we will have a closer look on how much the market pool payment can mean for the clubs and if it really is that significant.

[173] http://www.uefa.org/management/finance/news/newsid=1979893.html

3.5.2 Market Pool

In the season 2013/14, the total commercial revenue from CL is estimated to be around €1.34 billion[174], which is collected by UEFA from media rights and commercial contracts. Around 75% of this will go directly back to the clubs, but this cannot exceed a total of more than €530 million[175], which essentially means that a large portion of the total revenue can be distributed differently. Furthermore, UEFA is taking 18% to cover organizational and administrative costs, and €40 million to their other tournament, EL. [176] After all other cost have been deducted, the net amount available to the participating sides will be divided into two; fixed payments and variable amounts, called market pool. The fixed payments is in the 2013/14 season €500.7 million and includes group stage allocations, performance and qualification bonuses, which means a payment for qualifying to CL and bonuses according to your performance during the tournament. A little less is allocated to the market pool share, but is still a very significant amount with this year's amount reaching €409.6 million. The market pool amount is distributed according to the proportional value of each television market represented by the clubs playing in CL.[177] The amount is distributed to the football associations and then split to the qualified teams from that association.

As we can see, the market pool is a significant amount of money and since it is not distributed in coherence with achievement, but is allocated after the countries that the teams represent, it can affect the CB between the different leagues and polarizing the development of top clubs. The three different components that determines how the market pool is distributed is[178]

- Relative value of domestic TV-rights contracts
- Number of clubs from the same national association
- Matches played in the current Champions League season

The most important part of these criteria is of course the size of the domestic TV-right contract for UEFA's competitions, since this determine how much the clubs can potentially gain from the market

[174] http://www.uefa.org/management/finance/news/newsid=1979893.html
[175] Id
[176] http://www.uefa.org/management/finance/news/newsid=1979893.html#201314+revenue+distribution
[177] http://www.uefa.org/management/finance/news/newsid=1979893.html#201314+revenue+distribution
[178] Troelsen, Troels & Dejonghe, Trudo and http://www.forbes.com/sites/bobbymcmahon/2013/09/16/uefa-champions-league-what-the-big-clubs-of-europe-can-expect-to-pocket/

pool share. This means that to get most money from the market pool you shall represent a domestic market that generates a large TV-rights fee and get deep into the tournament, and maybe hope for misfortune for your domestic rivals. Another relevant note to make is that for countries with collective broadcasting deals, such as England and Germany, the champions of the previous season gets a bigger part of the pot.

Below you can see the breakdown of the CL distribution:

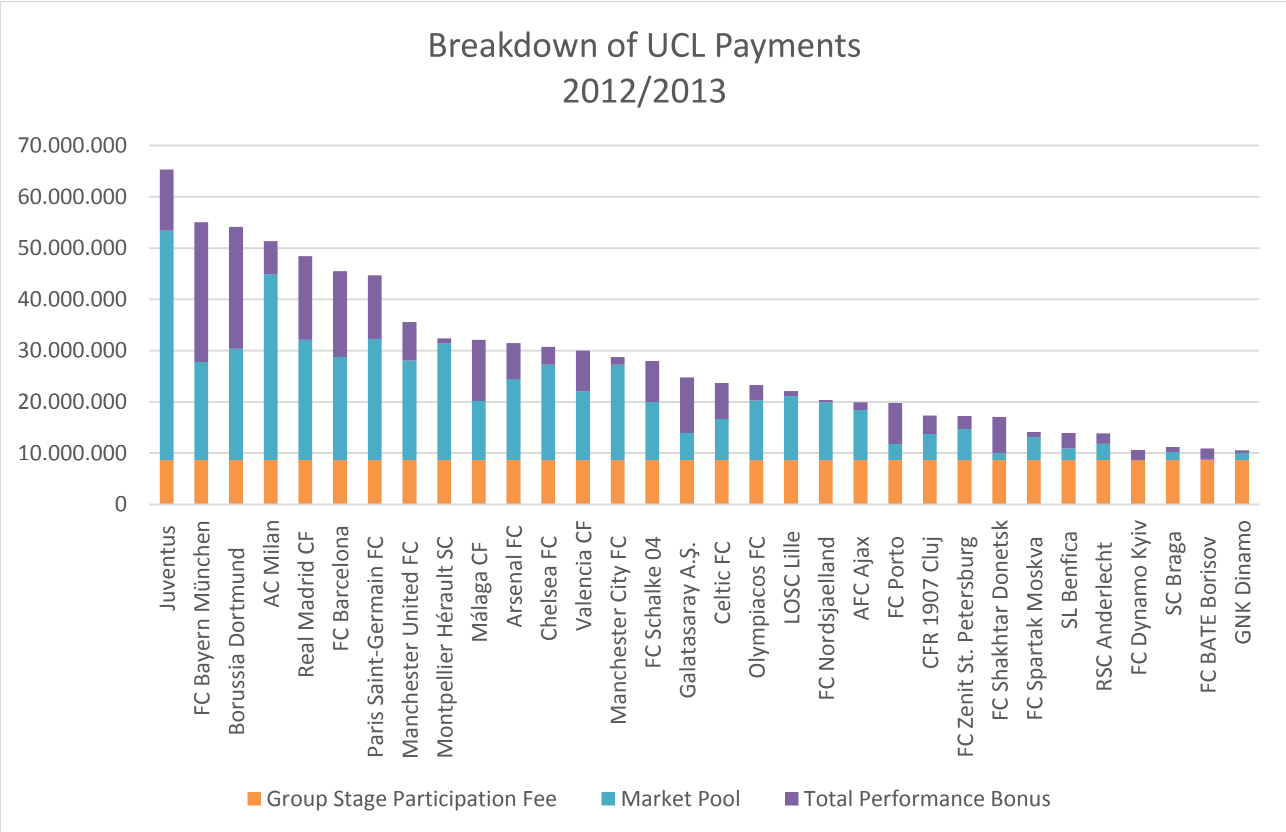


Figure: Breakdown of UCL Payments[179]

As the figure above shows, the share of the market pool can dramatically change the economic outcome for the clubs. The biggest difference occurs when we look at clubs outside of the big five leagues. To quantify the difference, a club like FC Shakhtar Donetsk earned €6 million more than

[179] Numbers are from the 2012/2013 season, since the allocation for the current season is not possible before the end of the season.

Montpellier Hérault SC in performance bonuses, but this was offset by a difference in market pool on €21.365 million, resulting in a total €15.365 million advantage for Montpellier.[180] Another remarkable amount to notice is that Juventus received the biggest payment even though they were knocked out in the quarterfinals. Again, a result of an impressive market pool share of €44.82 million, which is more than double of the champions FC Bayern München[181]. The reason for this is by one of the factors to increase the market pool share that we earlier mentioned; lack of success for the domestic clubs.[182]

3.5.3 Analysis of the future of Market Pool

After analysing the numbers and the impact of the market pool from last season, we have already seen the importance for the clubs and effect on the CB between the national leagues across Europe. Using new data from the acquisition of the broadcasting rights for CL and EL in England, together with our earlier findings, we will calculate and evaluate on the future impact of the market pool and see in what state this, in coherence with the FFP regulations, positions the clubs.

What happened in England in regards to this acquisition was a result of the a bidding war between the Virgin Media owned Sky[183] and BT TV, that resulted in a new record fee just short of €1.096 billion (£900m) for the exclusive rights to UEFA's competitions for a three years period.[184] To put this in perspective, UEFA received €1.103 billion (£906m) in total for the TV rights for both CL and EL in the 2011/2012 season[185].

Using the numbers from financial fair play expert Ed Thompson[186], we can analyse the details of the deal and its impact on the market pool share. Firstly, we need to divide the numbers from the current distribution of CL to the English participants.

[180] UEFA CHAMPIONS LEAGUE: Distribution to clubs 2012/13
[181] More than double of 28 out of 32 clubs
[182] Italy had only two teams qualified for the Champions League tournament.
[183] British Sky Broadcasting Group plc
[184] http://www.theguardian.com/sport/2013/nov/09/bt-sport-champions-league-exclusive-tv-rights
[185] http://www.financialfairplay.co.uk/latest-news/bt-champions-league-deal-makes-qualification-worth-%C2%A340m-
[186] Author of the website www.financialfairplay.co.uk and a Financial Projects manager at HSBC

2012/2013 Champions League Distribution				
All amounts in €(£) million	Market Pool Payment	Group Stage Payment	Performance Payment	Total
Arsenal	15.95 (13.1)	8.64 (7.1)	7.06 (5.8)	31.77 (26.1)
Manchester City	18.87 (15.5)	8.64 (7.1)	1.46 (1.2)	28.97 (23.8)
Chelsea FC	18.87 (15.5)	8.64 (7.1)	3.53 (2.9)	31.16 (25.6)
Manchester United	19.72 (16.2)	8.64 (7.1)	7.55 (6.2)	35.91 (29.5)
All Clubs	73.40 (60.3)	34.81 (28.6)	19.60 (16.1)	127.82 (105.0)

As we can see, the clubs each gets around €18.26 million (£15m) from the market pool, with the current broadcasting deal on €162.30 million (£133.33m). Since the new deal for BT TV includes the rights for all EL matches, we need to subtract that part from the original €363.97 million (£299m) per year. Without knowing the exact allocation for the two competitions, Ed Thompson presume the amount for the EL to have been doubled in the new deal, resulting in a total of €337.19 million (£277m) per year for the broadcasting rights to CL. As we can see below, this is an increase of €174.92 million (£143.7m) or 108% of the old deal.

Broadcasting rights per year for the Champions League				
All amounts in € (£) millions	2012,2013,2014	2015,2016,2017	Increase	
Sky	97.38 (80)			
ITV	64.92 (53.33)			
BT TV		337.19 (277)		
Total	**162.30 (133.33)**	**337.19 (277)**	**174.92 (143.7)**	**108,00%**

What we want to get out of these numbers is how much this will affect the financial outcome for the English clubs. Since UEFA's distribution model can change every year, it is hard to figure out the exact amount the clubs will get, but UEFA's latest financial report from 2011/12 shows some consistency. It shows that 42.5% of UEFA's total TV rights for CL are paid back to the clubs as market pool.[187] Using this ratio, we can expect that out of the extra €174.92 million (£143.7m) paid each year; an additional €66.95 million (£55m)[188] will be distributed back to the English clubs as market pool.[189]

The additional €66.95 million (£55m) has to be divided on to the four participating teams for CL, resulting in an average of around €17.04 million (£14m) extra to each club per year.

As we can see here on the projected outcome for the clubs:

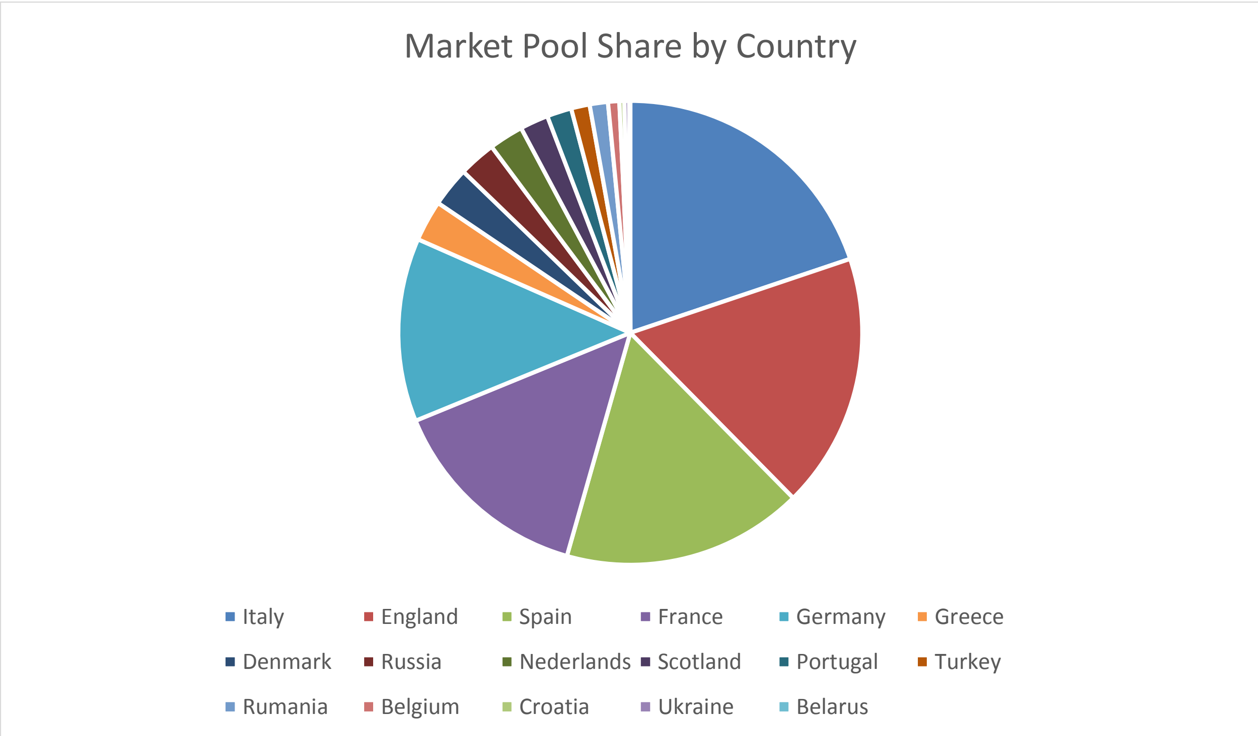
Projected Champions League Distribution with an additional £55 million allocated to market pool.						
All amounts in €(£)	Market Pool			Group Stage Payment	Performance Payment	Total
	Original Payment	Additional	Total			
Arsenal	15.95 (13.1)	14.61 (12)	30.55 (25.1)	8.64 (7.1)	7.06 (5.8)	46.26 (38.0)
Manchester City	18.87 (15.5)	17.16 (14.1)	36.15 (29.7)	8.64 (7.1)	1.46 (1.2)	46.26 (38.0)
Chelsea FC	18.87 (15.5)	17.16 (14.1)	36.15 (29.7)	8.64 (7.1)	3.53 (2.9)	48.33 (39.7)
Manchester United	19.72 (16.2)	18.02 (14.8)	37.61 (30.9)	8.64 (7.1)	7.55 (6.2)	53.93 (44.3)
	73.40 (60.3)	**66.95 (55.0)**	**140.35 (115.3)**	34.81 (28.6)	19.60 (16.1)	194.77 (160.0)

This means that just a qualification to the group stage could deliver around €48+ million to an English club. These numbers are of course not exact, but it is reasonable to assume that with new commercial deals for UEFA the total outcome for clubs is expected to be even higher. To put this in perspective, it is worth pointing out that participation in EL is a very poor substitute and will only generate somewhere around €9.74-12.17 million (£8-10m) per year[190] for each English club. It really shows the importance of reaching the top four and secure a place in CL.

[187] UEFA Financial Report 2011/12
[188] £61.1 million in total, but 10 % is allocated to the Scottish clubs.
[189] http://www.financialfairplay.co.uk/latest-news/bt-champions-league-deal-makes-qualification-worth-%C2%A340m-
[190] http://www.financialfairplay.co.uk/latest-news/bt-champions-league-deal-makes-qualification-worth-%C2%A340m-

From this, we can conclude two things. Firstly, the market pool share will give teams that qualifies for CL an additional economic advantage, which can have a significant negative impact on the CB in the domestic leagues. Economy is without a doubt an important factor for how well a team is going to compete, and with an additional €48+ million in income compared to lower positioned clubs, it will be hard to challenge the previous CL clubs. A clubs just outside of top four in England like Liverpool have an entire match-day income around €51.15 million (42£m)[191], which shows how big an impact the additional income from CL would have. Big leagues like the English will have to be careful with the competition in the league, if the economic reward for qualifying to CL gets too significant, it will have a serious effect on the CB. Furthermore, the FFP regulations will make it even harder to compensate for these kind of economic advantages.

Secondly, we can see that the popularity, size and economy in the different countries have a direct effect on the market pool and will increase the financial inequality in the competition between elite clubs from different countries.



[191] http://www.financialfairplay.co.uk/latest-news/bt-champions-league-deal-makes-qualification-worth-%C2%A340m-

As we can see here, there is already a big difference between the countries. With the calculations made from the English broadcasting figures, the tendency is that this inequality will continue to grow the following years. If the market pool continues to increase and the payment for qualification and performance does not follow, in the end it will be more important which country your club represent, than how well the club perform in the tournament. A worrying scenario that UEFA needs to take serious and be ready to act upon.

3.6 Is FFP for the good of the sport from an economic point of view?

The original statement from UEFA when introducing the FFP regulations was that the objectives was to create a financial stable management of European football clubs.[192] This might have been the main purpose, but we are just as curious about the regulations impact on the sport. After having analysed the numbers and looked at the CB and what affects this, we want to establish a knowledge on whether these new regulations is actually beneficial for the sport.

When looking at the good of the sport, we use the earlier mentioned theory about the necessities to create a successful sport. These premises[193] are made to make sense out of CB, which fits very well when looking at FFP's effect on the attractiveness on the sport. Szymanski's three premises are:

1. Inequality of resources leads to unequal competition
2. Fan interest declines when sporting outcomes become less uncertain
3. Specific redistribution mechanisms produce more outcome uncertainty

The premises are very much connected. The first premise is that a difference in economy leads to unequal competition, which goes hand in hand with the third premise that also certain redistribution mechanisms can make the outcome more uncertain. While these premises focus on things that can have an impact on the competition, the second premise concerns the consequences

[192] Uefa FFP objectives
[193] Stefan Szymanski - The Economic Design of Sporting Contests - 2003

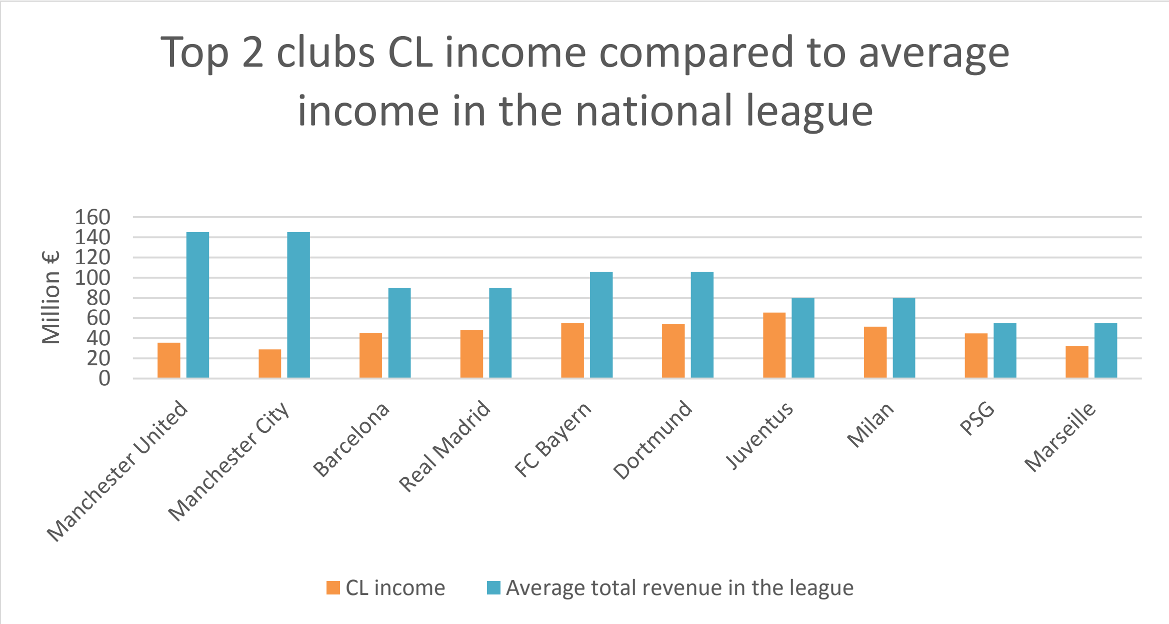
when the uncertainty of the result reduces. It states that if the result becomes too predictable, the excitement and anticipation about the game disappears and the fans will be less interested.

If FFP should be for the good of the sport from the view of this economic theory, it should help to create a more even economic playing field and payment distribution. We will have in mind the numbers from the earlier analysis of the CB and market pool distribution, and look at what is affected by the FFP regulations.

The main economic issue that FFP regulates is the controlling of clubs expenses. With the break-even principle, UEFA have made it harder to raise new capital from investor looking for quick success, therefore it is up to the clubs to increase revenue through sponsorships, fans and sporting achievements. This means that the sporting achievement and positioning of the club will have a larger impact than before the regulations took into place. A thing that should make the impact of good sporting performances more significant in your economic position in the league. If you play well and manage your commercial interests well, you will get an economic advantage, which is one of the reasons why distribution of broadcasting money is becoming so important.

As we could see with the income from participating in UEFA own tournament, CL, this distribution can make a massive difference in the clubs finances and possibilities. If the FFP regulations shall be for the good of the sport, these kind of bonuses needs to be controlled. Is the payment for participating overshadowing the other income streams it will make the difference between the qualifiers and the rest too big. That is another reason why the distribution of market pool is so important. As we have seen the tendency is that the market pool share and the general broadcasting payment is increasing and the importance of how it is distributed will therefore grow as well.

As we can see on the graph below, the income from CL for the top two clubs is for all leagues a significant amount compared to the average revenue for the entire league, and in some leagues such as the French Ligue 1 and the Italian Serie A the amount is almost as high as the total average.



Since revenue is becoming the absolute measurement for how well a club is doing and what the possibilities for the clubs is, it is important that the gap between the top and the rest does not become too significant. In that way, UEFA has a responsibility to make sure that the market pool payment does not contribute to a more unequal competition.

If UEFA fails to acknowledge the importance of an even distribution, the FFP regulations in the end can create a cartel-like situation including only CL clubs.

At last, the exceptions regarding exclusion of some expenses must be noted. Allowing the clubs to use finances on youth development and facilities will contribute positive to both the local societies, fans and players. These factors can help the sport's future and create a better foundation for the clubs and players. If these exceptions can provide better infrastructure and facilities around the clubs, like it have been a focus in Germany[194], this can also help the reputation of the sport and increase the support from the local fans.

From an economic point of view, the FFP regulations can be beneficial to the sport, but it is important that the financial demands from UEFA does not prevent clubs from achieving sporting success. In order to prevent this scenario from becoming a reality, the differentiation in national broadcasting distribution and CL payment will have to be organized and controlle

[194] http://www.theguardian.com/football/blog/2010/apr/11/bundesliga-premier-league

3.7 Economic Conclusion

The economic analysis shows the situation in European top football and the tendencies for the future. The FFP regulations are going to change the financial part of top football and will affect the clubs, players and the fans.

According the Deloitte Money League reports, the clubs' commercial revenue is growing substantially more than previous seasons, together with a rise in broadcasting revenue. The impact from the revenue and the distribution from especially the market pool give an advantage for clubs from the big leagues. An advantage they also bring back to their national leagues, where the extra revenue from CL has a negative impact on the CB in the league. The uneven distribution from the market pool based on broadcasting revenue from the different countries also has negative effect on the CB in European tournaments.

The game theory analysis shows that clubs are likely to choose an aggressive strategy to achieve sporting success, which is reflected in their actions towards complying with the break-even demand. Instead of reducing their costs the clubs have chosen to focus on increasing their revenues, especially the commercial revenues.

From an economical perspective the FFP regulations has forced the clubs to act more rationally and live within their means. Helping them create a sustainable business model is good for the sport. The concerning part is the decrease in CB and the long-term effect of this. The analysis shows that the uncertainty of outcome is important for fan interest, and with lower CB the uncertainty level decreases. Considering that the commercial revenue is related to the popularity of the sport, the CB must be kept at an acceptable level.

4 Integrated Analysis

4.1 Introduction

In this chapter, we will combine our legal analysis and economic analysis. This part of the thesis will include our own opinion and the knowledge we have gained from our research.

We will look closer into the main issues that UEFA and football in general will face after the introduction of FFP, while highlighting the most important issues.

We will see what measure the clubs take to get the most out of their resources and how they will prioritise in the new surroundings.

Finally, we will come with our own view on the future of European top football, and our opinions on different solutions and measures to improve and strengthen the FFP regulations and the competition in European football.

4.2 Legal and Economic Issues with the FFP regulations

We have throughout the thesis addressed different concerns and issues, both legally and economic. These issues have different characteristics and can be perceived differently when you combine legal and economic mind-sets. Viewing them from a new angle will help clarify the consequences.

From the legal analysis, we believe that the most critical issues are the relative salary cap that the FFP regulations introduce and UEFA's use of the joint-statement from the European Commission[195]. Since these will question the legality of the regulations and threaten the existence of FFP. Furthermore, the related party transactions from the FFP regulations are concerning to us.

Likewise, we see the problematic tendency in the CB as a crucial point from an economic point of view. This combined with the uneven distribution of broadcasting income and market pool share are our main economic concerns.

[195] Joint statement 21st of march 2012 – Vice President Joaquin Almunia (Commission) and President Michel Platini (UEFA)

Even though these points are viewed from different professional angles, they are very much aligned together. What FFP provides is a restriction on expenses, which is why we question the relative salary cap. However, this is not a salary cap as they have it in American sports[196], where they have absolute salary cap[197], but is in reality a very uneven salary cap, where the smaller clubs have less economic flexibility when it comes to salaries. Since player salaries is the biggest expense for the clubs, we do not believe this to be an area that will decrease and will continue to be the place where they spend most of their money.

This uneven type of salary cap will have a massive impact on the competitive balance and its development in the future. An example of a situation where legal restrictions have a direct effect on clubs economy. When smaller clubs does not have a chance to compete for players with the larger clubs, it will cause a change in CB. As it is now, the clubs that are already settled at the top will have an economic advantage and without the possibility to get in extra funds from investors, they will create the former mentioned cartel-like situation. A situation where their share of the total revenue will be so superior that it will be difficult for the other clubs to challenge them, on both short term or long-term basis.

This leads to our last economic concern, the distribution pattern. Being in this scenario with limited available funds, all income streams becomes vital to the clubs possibilities, with the broadcasting revenue and the payment from participating in European tournaments as the most important of all. If UEFA and the national leagues wants to avoid the scenario where the uncertainty of the national champions is almost non-existent and the difference between the clubs are getting bigger, they will need to re-evaluate the distribution model. A collective national broadcasting distribution is a necessity.

This is already implemented in most leagues, but in countries like Spain and Italy, they still have an individual distribution[198]. Because of this, the CB is still low and the popularity around the leagues

[196] NFL, NBA, MLB and NHL

[197] Johan Lindholm, *En Jämnare Spelplan,* section 2, B, with reference

198 Deloitte Football Money League 2011 - http://www.deloitte.com/view/en_GB/uk/industries/sportsbusinessgroup/sports/football/deloitte-football-money-league-2011/1cf28c129dffd210VgnVCM2000001b56f00aRCRD.htm

are declining. Our biggest concern lies in Spain, where the two dominant clubs have too much economic dominance and the difference between them and the rest is enormous.

Real Madrid and Barcelona has strong political power in footballing Spain, and as the biggest beneficiaries of the current structure they have little incitement to agree to changing to a collective distribution. It is our opinion that a change in broadcasting distribution will help both leagues and will be beneficial for them as a long-term investment.

Changing the market pool will be no easy task either. It includes the biggest and most powerful clubs in the world, and it is a big priority for them to keep it as it is. The threat of them creating a new league without UEFA is their ultimate negotiation trump card[199]. We do believe this to be a genuine treat, which is for us best showed by UEFA's compliance to the demands from the clubs. They seem to be willing to agree to their demands in order to keep them happy. A change in revenue distribution from CL will not be easy, but is in our opinion a vital change to strengthen the CB and prevent the financial distance between the different clubs to escalate.

The last concern we have is regarding the statement from the EU Commission.[200] As earlier mentioned it is a good indicator on how the EU Commission sees the FFP regulations, but before there has been any actual legal case against FFP, we cannot predict the significance of the statement. UEFA is moving into a legal grey area and it is our concern that there are too many involved parties to make sure no legal actions against the FFP regulations can be made. UEFA has used the joint-statement to scare of any potential claims.[201] By trying to connect it with EU anti-competitive legislation. The idea and concept of FFP is probably not by itself in jeopardy, but what will happen when the sanctions begin, is hard to predict. When clubs, players, sponsors etc. starts to feel the actual financial effect of FFP it will challenge the legality of the whole concept. We believe UEFA will be ready to adjust the regulations as they see fit when the effects come into force. When new adjustments are made, we will see what the support they have from the Commission is worth.

[199] http://www.telegraph.co.uk/sport/football/competitions/champions-league/10370046/European-Super-League-will-be-a-reality-in-five-years-claims-Galatasaray-chairman-Unal-Aysal.html
[200] European Commission – Press Release – State Aid: Vice President Almunia and UEFA President Platini confirm Financial Fair-Play rules in professional football are in line with EU state aid policy
[201] http://www.uefa.org/about-uefa/executive-committee/news/newsid=1772271.html

4.3 The clubs way of adapting to the FFP regulations

The introduction of the FFP regulation forces a change in the way clubs look at their finances, they do everything they can to comply with the new financial reality. Balancing the books is the goal and it is up to the individual clubs to find a way to do it.

There are different ways to reach the goal, and at the end of the day, they either decrease their spending or increase their revenues. As our game theory part points out it is reasonable to believe that the big clubs will take an aggressive approach to this dilemma, as they assume the competitors will do the same. This aggressive approach means they are not interested in compromising with the ultimate goal of success on the pitch, winning games and trophies. In order to do so they have to keep the best and most expensive players, which implies that they are not going to reduce their expenses. This leaves the option of increasing their revenues. We will show this through examples from two of the top clubs under most scrutiny from the CFCB panel[202], which have had a big growth in commercial revenues over the recent years.

The two clubs in mind is PSG[203] from France and Manchester City from England. These clubs have a similar recent history in how they have achieved success. Both have Middle Eastern owners who have invested huge amounts of money in bringing a club with a long history but no or little sporting success into the elite of European football. Both clubs are from big cities and have untapped commercial potential because of their location and lucrative leagues.

As they are both still building a fan base nationally and globally to match the most successful clubs, they are being creative in finding new ways of commercializing the club and increasing their revenue. Critical questions has been asked from experts, about whether these new ways comply with the FFP regulations. Especially regarding deals made with related parties to the owners[204], which we will show some examples of in the following section.

[202] Club financial Control Body
[203] Paris Saint Germain
[204] Related party transactions – FFP regulations

4.3.1 Creative revenues and loopholes

Related party transactions

With two powerful rich owners from the Middle East, the related party transactions are complex. The reach and influence of the owners are both political and economic.

PSG is owned by Qatar Sports Investments (QSI) a subsidiary of Qatar Investment Authority (QIA) who handles the Oil and Gas surpluses for the government of Qatar. Being a subsidiary to a governmentally owned entity raises some red flags in regards to FFP regulations, when sponsor deals come in from other entities owned by the same government. PSG announced a sponsorship deal with Qatar Tourist Authority (QTI) worth reportedly €150 - €200 million[205] per year without covering the historically most profitable sponsorships, shirt and stadium naming rights. At first view, this number seams unreasonably high, and will put pressure on the CFCB panel to take action[206]. Before we go further into the deal we will look at Manchester City's ownership and one of their sponsorship deals, which have been questioned for being above fair value from a related party.

Manchester City is owned by Abu Dhabi United group from United Arab Emirates (UAE), the owner Sheik Mansour is the deputy Prime Minister in UAE and his half-brother is the current President of UAE. Sheik Mansour is a part of the Royal family in Abu Dhabi and has substantial political and economic influence on business in the country. In 2011, Manchester City agreed a sponsorship deal with Etihad Airways regarding their shirt sponsorship, stadium and training facilities naming rights worth €485 million (£400m)[207] over a ten year period, over doubling the world record sponsorship fee for the naming rights of Madison Square Garden in New York[208]. The size of the sponsorship deal and the relationship between the UAE registered Etihad Airways and the Manchester City owners has raised some flags for the CFCB panel. The Chairman and owners of Etihad Airways is a part of the UEA Royal family like Manchester City owner Sheik Mansour. At the time of the deal, the club was not considered one of the top clubs in Europe and the deal was much higher than other commonly recognized bigger clubs and brands.

[205] http://www.cityam.com/article/psg-new-570m-deal-stretches-credibility-says-uefa-ffp-expert
[206] Id
[207] http://www.theguardian.com/football/2011/jul/08/manchester-city-deal-etihad-airways
[208] Sponsored på JP morgan chase, http://www.theguardian.com/football/2011/jul/08/manchester-city-deal-etihad-airways

In order for the CFCB panel to adjust this deal for fair value they have to do so within the rules of related party transactions in the FFP regulations[209], which we feel there is reason to look into due to both parties relationship with the Royal Family of UAE and the Abu Dhabi government. The CFCB panel has not taken any measures in this case so far.[210]

Even though no measures have been taken in the Etihad deal, the problem has been questioned by UEFA President, Michael Platini, who has promised that the next financial review will focus on controversial clubs, including PSG and Manchester City.

Going back to the PSG and QTI sponsorship deal we can see the size of the deal is enormous even compared to the controversial Manchester City deal, and it includes a lot less in terms of exposure. The consequences of fair value adjustment on deals like this will make or break PSG's ability to comply with the break-even rule. As the same government owns both QSI and QTI, we feel it is clearly something to be reviewed by the CFCB panel. There have been meetings between UEFA and PSG regarding their financial report and sponsorship deals so it will be interesting how this will play out.[211]

Even if these deals go through as agreed they will be considered as loopholes in the FFP regulations that UEFA will have to look closely into if their idea should achieve the desired effect.

New business

Manchester City has been more creative than many other clubs have, when looking for new ways to increase revenue within the FFP model. It is considered by some, as circumventing to the rules rather than complying with them. Together with New York Yankees, Manchester City has purchased the rights to a new MLS team in called New York City FC. The newly formed franchise pays a license fee to Manchester City for their intellectual property rights; it is reportedly in the millions of Euro every year. [212] They have also separated the clubs women team from the club and are now earning millions on allowing the use of the Manchester City brand and training facilities.

[209] UEFA Club Licensing and Financial Fair Play Regulations, Annex X, E.
[210] http://whoswholegal.com/news/features/article/30910/
[211] http://espnfc.com/news/story/_/id/1632748/paris-saint-germain-ffp-talks-uefa?cc=5739
[212] Exact number is not available - http://www.financialfairplay.co.uk/

Other clubs are also creative in finding new revenue streams, and we have over the last years seen an increase in revenue from sponsorship deals throughout the world with regionally agreed deals for telecommunication, beverages and travel. One example is one of the biggest clubs in the world, Manchester United, who has a growing number of regional deals where they collaborate with local brands to increase their revenue.[213] According to the latest report from Deloitte, they increased their commercial revenue with 30% largely through such new deals.

As we see from these examples the focus on increasing revenue in order to stay competitive is an important goal for the clubs, as it seems that is the most desirable way to move forward while complying with the break-even rule.

4.3.2 Relieving pressure on salaries

While the clubs have an increased focus on increasing the revenues, the FFP regulations have also naturally brought focus on reducing cost as well. The biggest cost for the clubs is their main assets, the players. Expenses for salaries and acquiring new player licenses will have the biggest effect on reducing the costs.

One of the stated goals for UEFA with FFP regulations was to decrease pressure on salaries, and in this area, we have not seen the improvement they hoped for, especially at the top level, the salaries have reached new heights[214]. It might be argued that the rise in wages for the best players is an effect of the FFP regulations, as the cost of signing replacements for the high earners will equal the cost of increasing the salaries of the ones they already have. At the same time, we have seen new record transfer fees[215] as well. It looks like it has not decreased the pressure on salaries for the high earners so far.

Where it has had some effects is with the older players, and expensive squad players. It seems more difficult for players in their thirties to extend their contracts in the same way as before. Wage heavy squad players of the top club are sold off to lower wage costs. This opens up for young talents to

[213] http://www.manutd.com/en/Club/Sponsors.aspx?pageNo=1
[214] Wayne Rooney's new contract with Manchester United reportedly worth €364.000 per week
[215] Gareth Bale from Tottenham Hotspur to Real Madrid for €103 million, in the summer transfer window 2013

break through the ranks and develop into top players. This is positive for youth development, and allows smaller clubs access to experienced squad players from the bigger clubs.

4.4 The future of European top football

We have used our legal and economic analysis to address our biggest concerns. We have taken the clubs perspective and given our projection on how they will act with the new regulations, in order to see how the future of European top football looks with the current setup.

Revenue will continue to form the positioning of the clubs. Primary the revenue streams from broadcasting deals and CL participation will dictate your chances of success the following years. With these amounts looking to increase, we will see the gap between the top clubs and the rest continue to increase. Despite recent statement from UEFA[216] that claims the opposite, we believe that clubs will be isolated at the top and it will be difficult to change.

Clubs will try to circumvent the related party rules[217] and find new ways to bring in revenues through different channels. This will challenge UEFA and their ability to see through their tricks and alternative methods. We imagine this to be something that will get a lot attention every year, when UEFA will go through each clubs finances in the licensing process[218].

The latest press release from UEFA[219] has clarified that 76 clubs are already required to provide additional financial information to UEFA. Not stating that all of these will fail to meet the FFP regulations, but it could be an indication of how difficult it is to identify related party infringement.

The pressure will be on UEFA when they are up against some of the richest and most powerful clubs, and if they do not stand firm and treat everyone the same way, they will lose credibility and FFP will fade out. It is easy to talk about staying firm as they have said, but if more than a couple of the bigger clubs fails the break-even requirements at the same time, the UEFA tournaments might lose the strong position it has and clubs might look for other ways of competing. If the before mentioned clubs Manchester City and PSG were to fail the test, and Manchester United fail to qualify for the

[216] http://www.uefa.org/protecting-the-game/financial-fair-play/news/newsid=2067210.html
[217] UEFA Club Licensing and Financial Fair play regulations – Annex X, D.
[218] UEFA Club Licensing and Financial Fair play regulations – Part 2.
[219] http://www.uefa.org/protecting-the-game/financial-fair-play/news/newsid=2067210.html

tournament, which looks like a possibility this season, they could arrange their own tournament of some sorts and compete with the CL for attention and market share.

4.5 Solutions

In our opinion, the idea of the regulations is a step in the right direction, and trying to create a stable economic environment for the clubs is a good idea. We are though uncertain that the current regulation is enough to reach the goal. We will therefore use the results of our research and analysis to give our view on how to achieve the most competitive balanced situation in European football and how to cope with future issues.

For UEFA it is important to be true to their idea, when sanctions are to be taken against clubs who do not comply with the regulations. The sanctions have to be fair towards the entire football community to have the desired effect.

We also think the regulations should be developed further as clubs find loopholes in the current structure. As these loopholes are discovered, the regulations need to adapt and close them so it is more difficult to circumvent the system. Considering the fact that the FFP regulations are relative new, and UEFA and the CFCB are now building precedents with every step and sanction they make we believe it will naturally create a legal sphere over the coming years.

There are two issues we want to address, as we feel it will benefit European Football. It is the distribution of money and salary regulation.

Distribution of money

The current money distribution structure has a great impact on the economy of not just the clubs receiving the money from participating in the CL, but also on the rest of the clubs. Every year the gap between the big clubs and the rest is growing, it is very difficult to close this gap when the spending is restricted, and the CB is so uneven. Considering the magnitude of the CL income and the effect it has on national leagues, we feel the structure of the payments should be altered in order to lower this difference. In our opinion, the broadcasting income from one country should benefit the entire league, and reward not only individual clubs who have qualified for CL but also the rest of the league. The impact of European broadcasting revenue on national CB is too big.[220] The interest in the competition relates to the competitiveness of the national leagues, and the supporters of teams who do not qualify for the CL. Thus, the rest of teams deserves to benefit from the extra revenue and this should be reflected in the distribution.

The CB in the leagues and the UEFA tournaments is an important part of the future for European football to keep the interest high.[221] Money is not the only factor in the hunt for success, and there is a way to achieve success without it, but the impact money has had over the last years shows how important it is.[222] On league level, a start would be to get the Spanish and Italian leagues to agree to collective broadcasting deals, as we know from most other leagues. The individual rights they have now are beneficial for the most attractive clubs and intensify the already big gap from top to bottom. We can see especially from the English Premier League a more fair distribution of broadcasting revenue and the positive effects it has on the CB within the league with more teams fighting for the top positions, even though some teams still dominant.

Another reason for sharing the revenue from the CL is the fact that commercial growth among the already established teams are growing at a pace never seen before, their worldwide presence and reach gives them substantial revenue streams which can cover the loss from lower income from UEFA broadcasting rights.

Decrease pressure on salaries

One of the stated goals from UEFA with the regulations was to decrease pressure on salaries; this effect is not something we have seen since the implementation. The salaries are still rising and new record deals are being made. Held together with what we see as an individual salary cap based on club earnings, this pressure will not be decreased while the clubs are increasing their revenues. If this is a goal in itself and the sports specificity allows such restrictions as an exemption in accordance with TFEU article 101(3), UEFA should look on how they can make a more efficient way of relieving pressure by introducing some kind of salary cap, like they have done in the big American leagues.

[220] See chapter 3.5
[221] Stefan Szymanski - The Economic Design of Sporting Contests - 2003
[222] Deloitte Money League Rapport 2014

Such a salary cap can also be beneficial for the CB.[223] This will of course be at the cost of player's opportunity to negotiate the best possible contracts, as they would be able to in the open market. The benefits for the sports as a whole must be proportionally as, or more beneficial for the sport in order for the restriction to be accepted under EU legislation.

By implementing these suggested measures, we believe UEFA will contribute to a more sustainable business model for European football. The uncertainty of outcome[224] could rise and increase fans interest in football.

[223] Stefan Késenne - The Impact of Salary Caps in Professional Team Sports
[224] Uncertainty of outcome hypothesis

5 Conclusion

The purpose of this thesis was to figure out how the FFP regulations affect the competition in the European football market, by looking at the objectives behind it and the effect of the measures taken. To figure out if it is for the good of football as a sport and if it is in line with current EU law.

The legal analysis showed that the FFP regulations would violate EU law, if it was not for the exemptions in the Commissions White Paper on Sports. Sports specific rules may be allowed to infringe EU law if done for legitimate sporting considerations. The main objective of creating a sustainable economic future for the clubs is a legitimate goal in that respect; this is also confirmed by the Commission in their joint statement with UEFA.

In the economic analysis, relevant effects of the FFP regulations are discovered, which demonstrates how the clubs act and how the economic and competitive situations look under the current regulation. With the break-even principle as the foundation of the economic analysis, the current CB in the top 5 leagues in Europe is analyzed. It shows low to medium CB in the leagues. The richest clubs from the Deloitte Money League Report is dominating the top positions and are participating in the CL. The income they get through this participation and the current structure of distribution from the market pool is an advantage for the big clubs both domestically and in Europe, and has a negative effect on the CB. Commercial revenue growth among the same clubs is increasing substantially more than the rest of the clubs, which lowers the CB further. Game theory shows that the effect of the increased revenue is not what was intended by UEFA with the objective of decreasing pressure on salaries, stated in the regulations.

UEFA must stand firm on their principles and use the sanctions they have stipulated. The non-stated objective of limiting rich owners' ability to buy their way to the top, has to be followed up by strict sanctions on related party transactions such as inflated sponsor deals. Issues like this can hurt the credibility of the regulations.

The intention behind the regulations was to make the conditions for the sport better, and save European football economy from a negative trend. In some ways it has worked by forcing the clubs to focus on breaking even. The problem is that the analysis in this thesis shows it will be at the expense of the CB through greater economic inequality. A low CB will have a negative effect on the interest of the sport, which is the basis for the clubs revenue.

Despite UEFA’s recent statement saying they believe it will have a positive effect on CB our conclusion is that the FFP regulations and the current revenue distribution are not for the good of the sport, as it will create an elite group of clubs, which will lower the interest for the sport.

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Appendix 1

English Premier League – Dynamic competitive balance Top 2 CBI

England	2012/13	2011/12	2010/11	2009/10	2008/09	Total
Man Utd	2	1	2	1	2	8
Chelsea			1	2		3
Man City	1	2				3
Liverpool					1	1

Spanish La Liga – Dynamic competitive balance Top 2 CBI

Spain	2012/13	2011/12	2010/11	2009/10	2008/09	Total
Barcelona	2	1	2	2	2	9
Real Madrid	1	2	1	1	1	6

German Bundesliga – Dynamic competitive balance Top 2 CBI

Germany	2012/13	2011/12	2010/11	2009/10	2008/09	Total
FC Bayern	2	1		2	1	6
Dortmund	1	2	2			5
Wolfsburg					2	2
Leverkusen			1			1
Schalke				1		1

Italian Serie A – Dynamic competitive balance top 2 CBI

Italy	**2012/13**	**2011/12**	**2010/11**	**2009/10**	**2008/09**	**Total**
Juventus	2	2			1	5
Internazionale			1	2	2	5
AC Milan		1	2			3
Roma				1		1
Napoli	1					1

French Ligue 1 – Dynamic competitive balance top 2 CBI

France	**2012/13**	**2011/12**	**2010/11**	**2009/10**	**2008/09**	**Total**
Marseille	1		1	2	1	5
PSG	2	1				3
Montpellier		2				2
Bordeaux					2	2
Lille			2			2
Lyon				1		1