



SD

supporters direct
europe

Position Paper

THE HEART OF THE GAME:

**why supporters are vital
to improving governance in football**



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The original authoritative text of this position paper is in English, but French and German versions are also available online.

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SUPPORTERS DIRECT EUROPE

The SD Europe Position Paper

Supporters Direct Europe (SD Europe) has produced this Position Paper in order to set out our position and evidence of how supporter involvement and ownership can help improve European football and deliver European values and EU aims.

What SD Europe says is important because many football clubs in Europe are in financial turmoil, the game suffers from the effects of poor governance at club and national levels, and because the potential to deliver social and economic benefits from the game is not being realised¹. Increasing numbers of supporters are seeking assistance in becoming involved in decision making²: forming democratic organisations, building capacity, and representing supporters' interests.

Our work over more than a decade has given us a recognised expertise, not just in developing supporter involvement and fan ownership, but also in the wider issues of sports governance. Helping to improve football's governance and addressing financial instability are vital,

not only in improving sport but addressing key issues in Europe: strengthening democracy and citizenship, building cooperation and dialogue, and improving communities.

This paper sets out how we think those issues are best addressed.

SD Europe

SD Europe is an organisation that assists football supporter organisations in achieving formal structured involvement in their clubs and associations and developing supporter ownership of football clubs. SD Europe also advises clubs on their ownership and governance structure and works with football associations, leagues, and UEFA. Established in 2007 with funding from UEFA, SD Europe has helped meet these objectives by advising football fans across Europe, increasing the resources at their disposal to improve both the governance of sport and the social function it serves³.

SD Europe:

- Is working in over 20 European countries.
- Is regularly consulted by the European Commission and European Parliament and is an observer at Commission Expert Groups on sport and sports governance.

- Has worked with member state governments in the UK, France, Germany, Italy and Spain.
- Has undertaken a Europe-wide feasibility study for UEFA on increasing supporter involvement.
- Is currently delivering an EC Preparatory Action to Improve Governance in European Football.

Our Philosophy

Supporters Direct believes that sport will be improved through the increased involvement of supporters in governance and decision making - and that this will also deliver wider social and economic benefits. We believe that the mutual or co-operative business structure and accompanying financial model is the most appropriate for sport as it balances cultural, sporting and economic dimensions.

Supporters Direct (SD) was formed in 2000 in England but has expanded its work across Europe, working in over 20 countries. It is a not-for-profit organisation that aims to increase the involvement of supporters in decision-making in football (and other sports) through supporter engagement and ownership

European Commission-funded project under the Preparatory Action in the Field of Sport (March 2012-June 2013)

Improving Football Governance through Supporter Involvement and Community Ownership

SD Europe, along with nine partners, are undertaking this project in the area of Good Governance in Sport. It will build capacity on national and European levels, help create strong partners in dialogue with football governing bodies and other stakeholders, and facilitate further sharing of information and best practice. Partners will produce 'toolkits', which will provide key resources for supporters' groups and mutually owned clubs in the future. National workshops, aimed at delivering training, advice on capacity building, raising awareness and developing a long-term vision for good governance in football, will also be held.

A final report will be produced in English, French, and German. This will provide a benchmark for future developments in good governance, policy development and research.

OFFICIAL SUPPORT

Supporters Direct has received considerable support and recognition for its mission in Europe, from EU institutions as well as from Member States and football's federations.



Androulla Vassiliou

European Commissioner for Education,
Culture, Multilingualism, Sport,
Media and Youth, 2012

Active citizenship and a culture of participation are essential to our daily lives in Europe. Sport is a field where this is both prominent and effective. Supporters not only invest countless hours to support and volunteer for their clubs, but also help to build a spirit within their community. As active citizens and as key stakeholders, supporters should be formally involved within the sport movement. Supporters Direct Europe shows how fans can help to develop inclusive and sustainable structures at both the grassroots and professional levels, thus giving life to the concept of active citizenship.



Michel Platini

President of UEFA, 2012

I have always said that fans are a fundamental part of the identity of football clubs and we are pleased to continue supporting the work of Supporters Direct Europe in bringing good governance to clubs across Europe by encouraging initiatives to involve fans in the ownership and running of their clubs. It is also particularly pleasing that after our initial support for Supporters Direct Europe, the European institutions have picked up on it as well.



European Commission

The White Paper on Sport
Staff Working Paper, 2007

Supporters' organisations often contribute to active citizenship and democracy, especially by reaching out to young people who are not always involved in other civil society structures... The supporter movement's contribution to active citizenship and democracy can be strengthened through official recognition at club level. A formalised involvement of supporters can reinforce the governance and financial stability of clubs.



European Parliament

Report on the European
Dimension of Sport,
The 'Fisas Report', 2012

Transparency and democratic accountability at sports clubs can be improved by the involvement of supporters in the ownership and governance structure of their clubs... Member States and sports governing bodies are to actively stimulate the social and democratic role of sport fans who support the principles of fair play, by promoting their involvement in the ownership and governance structures at their sports clubs and as important stakeholders in sports governing bodies.



UEFA and SD

What is the feasibility of a
Supporters Direct Europe? 2008

Supporters Direct Europe could enhance the contribution fans can make to a wider agenda of ensuring that clubs are financially stable by ensuring they conform to good governance.



UK Parliamentary Select

Committee for Culture

Media and Sport

Inquiry into Football
Governance, 2011

Supporters Direct is an effective and influential organisation which makes a vital contribution to enabling supporters to play an informed role in helping to secure the future of their club, either through greater involvement or outright ownership. There is no doubt that many of the instances of successful supporter engagement with clubs would not have been possible without the advice and engagement of Supporters Direct.

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EXECUTIVE SUMMARY

Section 1

Improving Governance in European Football

SD Europe believes that supporter involvement and ownership is a vital building block in establishing good governance at club, national and European levels. This can bring benefits in terms of club sustainability as well as to the game as whole.

Supporters have been almost universally excluded from the executive bodies of national associations and leagues and they are rarely consulted about major decisions that affect the sport.

- EU institutions should set good governance guidelines and make future funding and support conditional on their implementation.
- Club licensing and financial fair play rules need to be extended to all leagues.
- The structured involvement of supporters should be put in place at all clubs, leagues and federations and should be embedded within club licensing or other regulatory frameworks.
- Distribution of football 's revenues as well as EU and member state public funds should be conditional on implementation of supporter involvement criteria.

Section 2

Improving the Financial Sustainability of Football Clubs and Leagues

The European game faces historic levels of debt, clubs living beyond their means, and clubs entering insolvency, which diminishes the social value of sport.

Decision-making structures of football clubs need to be improved to encourage long term sustainability. Clubs that operate sustainable, long term financial policies are disadvantaged by current governance frameworks.

Financial problems in European football, including a lack of competitive balance, are solvable, but require a package of measures to be implemented, to include:

- Financial Fair Play rules that regulate club finances throughout all professional leagues.
- Financial instabilities in football need to be addressed through more inclusive and accountable decision-making structures at clubs and governing bodies.
- Community ownership should be encouraged through preferential financial measures.
- Football authorities should distribute collective income more equitably and use it to incentivise sustainable financial policies at clubs and good governance.

Section 3

Improving the Social Function of Sport

Given its popularity, football can play a particularly important role in delivering the social value of sport in Europe, including encouraging democracy and active citizenship, and developing volunteering and better community cohesion.

Democratic supporter organisations, supporter ownership and fan involvement in decision making are ideal ways to encourage these European values and EU priorities, especially among young people.

EU institutions, member states and football governing bodies should:

- Assist SD Europe in addressing barriers to ownership and involvement in order to promote democracy and active citizenship.
- Fund volunteer and community engagement by supporters' groups to promote active citizens, grassroots sport and community cohesion.

Section 4

Improving Transfer Operations

A variety of poor practices and external threats have been identified with regard to transfer operations. Third Party Ownership and the inadequacy of current structures governing sports agents exacerbate these threats.

SD Europe endorses the best practice principles of transparency and accountability which must be applied to the operation of the transfer market and believes that the involvement of supporters will help promote these principles.

- There is a need to increase transparency of transfer operations – through regulation if necessary
- Third-Party Ownership should be prohibited, with a phased approach being adopted to achieve this.
- The regulation of sports agents should be maintained and more actively enforced.

Section 5

Improving the Fight against Match Fixing

Match fixing distorts competition, threatens the ethics and core values of sport, and risks the loss of commercial revenues and the confidence of the public.

- Supporters should play an active role in the prevention of match fixing, including disseminating information, awareness raising, and education.
- Better governance of football clubs through supporter involvement and ownership will reduce the risk of match fixing.
- The fight against match fixing needs a coordinated approach between all relevant stakeholders including supporters.

Section 6

Reducing Discrimination and Violence

Football supporter organisations have historically been at the forefront of campaigns against discrimination and violence. This work is both longstanding and has shown leadership to other sections of football.

- Government, security, and football authorities should work more closely with fans' groups to address discrimination and violence.
- Increasing supporter ownership and involvement helps to inculcate responsibility amongst supporters and foster self-regulation.
- Organisations, including Football Supporters Europe (FSE), FARE network and Centre for Access to Football in Europe (CAFE), need to be supported in their work by the EU and football institutions as part of a collective effort to address these problems.
- UEFA and others should extend its work in developing processes that tackle institutional discrimination.
- Sanctions in response to incidents of racism need to be strengthened.

INTRODUCTION:

Why it is important to Develop Supporter Ownership and Involvement

Supporter Ownership in Europe

Supporter ownership of football clubs is not something strange, or new, or confined to the margins of European football. It is embedded in its history and the current fabric of the game. Almost all football clubs began their life as associations of people wanting to participate in football and organise collectively. In many countries, member ownership of clubs was the norm until very recently.

Supporter ownership and involvement is important because football supporters are the lifeblood of the game – economically, culturally and socially. Supporters more than any other stakeholder group make lifelong commitments to their clubs and invest in them (economically, emotionally, and with time) on a long term basis.

Supporters do not make money from their clubs, they invest in them. They are not employed by their clubs, but support the employment of others. They do not on the whole change clubs when conditions change, they remain. Supporters do not view football clubs as sources of profit, or as markets, or as sources of customers; rather they are the umbilical link between a club and its local communities. Clubs represent them and their locale as much as supporters represent the club. They have ‘brand loyalty’ that often (perhaps always) outstrips ‘brand quality’.

This lifelong commitment means that supporters have an interest in football clubs that is qualitatively and quantitatively different to any other group. As such their involvement in the governance of football clubs and the game as a whole brings an important added value, namely a long term interest in its sustainability.

Today, supporter ownership touches all levels of the game, from the largest clubs, such as Barcelona and Real Madrid in Spain or Bayern Munich and Hamburger SV in

Germany, to the smallest – Ancona in the 5th tier (Serie D) of Italian football or FC United in the 7th tier of English football. It is evident in the Premier League in England at Swansea City, in the Bundesliga and in the Swedish Allsvenskan.

Supporters Direct Europe has expanded from a standing start in 2007 to its current operation in 20 countries across Europe; and demand to assist supporters in developing ownership and involvement in running clubs continues to grow.

However, supporter ownership, and broader supporter involvement in decision-making in football, has never been under more pressure. The dominance of commercial/corporate models of governance has seen supporter ownership and involvement under threat in several countries; even where it is firmly embedded and regulated there are pressures to relax such rules; and even where clubs are successfully run as supporter owned entities, they have to operate in an often hostile environment.

This report therefore begins with a summary of how supporter ownership and involvement can be encouraged, before looking in more detail at how supporters can help address key areas of European policy and football governance.

Regulatory Reforms

Supporter ownership and involvement can be most effectively assisted by the development of a more sympathetic environment in which to operate. Currently, supporter owned clubs are disadvantaged by poor governance and financial regulation which does not do enough to create the conditions for sustainably managed clubs to flourish, i.e curb the irresponsible financial behaviour of other clubs.

Furthermore, in some countries (such as Spain) the members’ association model of ownership has been undermined. Even where there are strong regulations ensuring member ownership (such as the ‘50+1’ rule in Germany and Sweden) these are under attack.

Yet this is happening despite evidence that supporter ownership continues to provide a more sustainable, equitable and democratic future for football.

SD Europe recommends:

The members' association model of ownership should be revived and supported in Europe.

National football associations and leagues should:

- Promote, not weaken, the member ownership model by promoting it as good governance practice.
- Develop clear, consistent guidelines for good governance and make certain funding and distribution of income conditional on their implementation.
- Withdraw regulations that have prohibited or discouraged member ownership.

Member states should:

- Encourage the member ownership model through tax incentives and other financial measures.
- Make public funding conditional on the implementation of good governance guidelines that include removing barriers to supporter ownership.

EU institutions should:

- Ensure that tax benefits for community ownership of sports clubs are encouraged and not prohibited.
- Make public funding conditional on the implementation of good governance guidelines that include removing barriers to supporter ownership.

The structured involvement of supporters, including board representation of fans, should be formalised.

National football associations and leagues should:

- Put in place a Club Licensing System that provides an incremental and practical path for the involvement of supporters at board level.
- Ensure the proper representation of supporters throughout national governing structures at all levels of decision making, including executive boards.

Member states should:

- Ensure that national associations introduce Club Licensing Systems, if necessary through the use of legislation.

EU institutions should:

- Introduce good governance guidelines and work in partnership with national associations, leagues, clubs, supporters and other stakeholders in the development of their guidelines, to ensure consistency.
- These guidelines should include the structured involvement of supporters in decision making to be implemented by member states, associations and clubs.

Funding and Capacity

Alongside a more sympathetic environment for supporter ownership and involvement, supporters' groups need assistance to participate fully in the governance of clubs and leagues. Supporters' associations vary greatly, but the vast majority are under-resourced and reliant on volunteers.

Assistance is required to ensure that supporters' organisations are able to develop the appropriate capacity to play an effective role in club and league governance. Public funds should not be used to support organisations or projects that do not meet good governance criteria.

SD Europe recommends:

EU institutions, Member States and European and national football associations should:

- Continue to support SD Europe and its members in their efforts to share best practice and promote supporter and community involvement in the governance of football.
- Fund work to expand local and national networks of supporters' groups.
- Launch coordinated efforts in this area, in cooperation with SD Europe.

National Football associations and leagues should:

- Make funding available for projects that deliver improvements in the capacity of supporters' organisations to help them develop structured involvement and ownership.
- Engage with SD Europe's EC Preparatory Action 'Improving Governance Through Supporter Involvement' and engage with the project partners in Belgium, France, Germany, Ireland, Italy, Portugal, Spain and Sweden.

Member states should:

- Engage with supporters' organisations to identify projects that require public funding to improve governance, and encourage greater sustainability through supporter involvement.
- Establish robust criteria and sanctions, which promote democracy, transparency, and accountability in the field of sport.

EU institutions should:

- Establish the principle of conditionality in relation to public funding of sport to encourage good governance and supporter engagement.
- As an example, funding for sport made available as part of the Erasmus for All programme from 2014 should only be available to organisations delivering criteria for good governance.
- In particular, funding should be made available to increase the ways in which supporters' trusts and organisations can engage volunteers and help create more active citizens.

Developing Research and Evaluation

Although both European and national governments as well as sports federations make much of the social importance of sport, there is little consistent, comprehensive evidence to support these claims.

Also, to date there has not been sufficient research into good governance

and community engagement in sport, which is essential for improving the running of sport in Europe.

Further research and evaluation on these areas at European level is required in order to understand properly and account for the social impact of football (and sport more broadly) in Europe as well as identifying good practice.

SD Europe recommends:

EU institutions, member states and national associations should:

- Support research into the social value of football in Europe and identify good practice.

This research should develop:

- Guidelines, criteria and advice on good governance.
- Appropriate monitoring and evaluation measures to support future conditional application of public funds.
- Pilot projects and action research to implement, test and evaluate changing governance practices at club and national level.



IMPROVING GOVERNANCE IN EUROPEAN FOOTBALL

It is widely recognised that good governance is fundamental to supporting financial sustainability and delivering social benefits

Context

Across Europe, professional sport is experiencing the adverse effects of unsustainable financial models, weak governance, and a lack of democratic accountability which reduces the positive social impact that sport can have.

The lack of good governance has been recognised by a series of European Union (EU) documents⁴, a number of sports stakeholders, including UEFA and some member states, including the UK and France.

It is widely recognised that good governance is fundamental to supporting financial sustainability and delivering social benefits; and it is a condition for the self-regulation of sport organisations⁵. Good governance helps promote a wide range of core European values and EU aims: democratic participation, citizenship, transparency, financial sustainability, community development, combating corruption and education and training.

Poor governance leads to poor decision making and the financial instability of clubs (see (Section 2)). It undermines sport's



SD EUROPE: KEY POINTS

- Supporter ownership and involvement in decision making needs to be encouraged by clubs, governing bodies, EU institutions and member states to underpin better governance in football.
- Club licensing and financial fair play rules need to be extended to all leagues.
- The structured involvement of supporters should be put in place at all clubs, leagues, and federations and should be embedded within club licensing or other regulatory frameworks.

ability to deliver key social functions such as participation of citizens, community development and EU values of democracy and transparency (as discussed in Section 3). It can also lead to corruption and malpractice (see Sections 4 and 5).

The involvement of supporters in decision making across Europe and further afield has demonstrated clubs can be successful whilst also following good governance guidelines and promoting European values. However, for this potential to be realised over-arching governance structures in football to provide a framework in which

sustainable supporter-run clubs can compete meaningfully alongside other ownership models are required.

SD Europe believes that the involvement of supporters in governance at club and national governing body levels can provide a greater level of scrutiny, independence, accountability and transparency than is evident at present, and will lead to better and more balanced decision making in the best long term interests of the sport, and the institutions (clubs) that play such an important role in the life of supporters and their communities.

The involvement of supporters in governance at club and national governing body levels can provide a greater level of scrutiny, independence, accountability and transparency

THE GOVERNANCE OF FOOTBALL CLUBS

IDENTIFIED PROBLEM AREAS

- There is a 'disconnect' between clubs and their local stakeholders leading to a lack of accountability and transparency, and causing damage to the social value of clubs in their communities.
- Corporate, group, and individual ownership at clubs generally serves the interests of owners and shareholders, over the interests of supporters and local communities.
- A lack of democratic involvement and representation of supporters.

Supporter directors can bring increased scrutiny to the performance of the board

The accelerated commercial development of football in the last two decades has meant that there has been an increase in the private ownership of clubs by commercial organisations and private individuals. Where this has happened, it has displaced both member ownership and local business ownership and often created a 'disconnect' between clubs and their local stakeholders, notably supporters. This tends to make clubs less accountable and less transparent to their supporters.

The prevalence of these structures has meant that clubs are designed to prioritise the interests of shareholders above all others. Growth in revenues from broadcast rights, commercial sponsorship, and advertising has exacerbated this trend as decisions are made in order to maximise these new revenue streams to the exclusion of other interests and concerns. For example, kick off times have been changed in many countries (including recently, France⁶) to satisfy the needs of television rather than match-going fans; and clubs (Red Bull Salzburg and Cardiff City) have changed club names and/or strips to accommodate new commercial interests against fans' wishes.

The primacy of the private shareholder model has reduced the democratic

involvement of supporters and communities in their clubs. This has contributed to reduced transparency and a lack of accountability in decision making. Supporters are excluded from governance roles at the vast majority of clubs despite being the financial mainstay of the game and the long term custodians of a clubs' intrinsic value.

SD Europe's Position

SD Europe believes that supporter and community involvement/ownership is a vital building block in establishing good governance at club, national, and European levels.

The inclusion of supporters in club governance brings a new perspective, analogous to that performed by non-executive directors in corporate environments. Supporter directors can bring increased scrutiny to the performance of the board; and broadening the base of ownership allows increased accountability and transparency through the involvement of a wider group of interests in financial matters. Democratic structures can also ensure that the strategic development of the club is aligned with the interests of the club and its stakeholders which can bring commercial benefits.



Supporters Direct's research⁷ points to the fact that:

- Companies run with a view to the long term interests of their key stakeholders rather than a short term interest in their shareholders are more likely to prosper.⁸
- Companies that operate longer term policies (which are encouraged by mutual forms of ownership) fare better⁹.
- Businesses with stakeholder-orientated policies strengthen conventional indicators of corporate performance,¹⁰ which means the commitment of people involved rises and businesses are perceived as more trustworthy¹¹.
- Mutual ownership means profit is driven back into the business, with less reliance on 'soft finance', thereby promoting sustainability, and a focus on quality of service and customer satisfaction, not maximising dividends¹².

Supporters Direct's research and practice has shown that for football clubs, as socially and culturally-oriented businesses with important roles in their local communities¹³, this is even more true.

Putting this knowledge into practice Supporters Direct:

- Has developed a model structure for supporter (co-)ownership.
- Has created strategic and legal advice on different types of supporter operational involvement.
- Has developed methods for supporter involvement in club governance such as: 'golden shares'; 'supporter class of shares'; and consultation mechanisms¹⁴.
- Is leading a European Commission Preparatory Action in the Field of Sport to build the capacity of supporters' organisations across Europe.

- Is providing national associations with guidance on the implementation of Supporter Liaison Officers (SLOs) at clubs under Article 35 of UEFA Club Licensing regulations¹⁵.
- Supports the development of Supporter Charters by Football Supporters Europe¹⁶.

THE GOVERNANCE OF LEAGUES

IDENTIFIED PROBLEM AREAS

- National governance structures are often dominated by clubs serving the interests of their owners to the detriment of the long term good of the game.
- There is an absence of procedures to ensure the financial stability of all clubs and ensure sport's solidarity and social benefits.
- In most countries supporters are excluded from consultation and decision making processes and from national associations and leagues.

Football has increasingly been led by the short term interests of club owners to the detriment of the longer term interests of the sport



The acceleration of football's commercialisation and huge increases in revenues to the top clubs and leagues has led to a shift of power away from national associations and towards major clubs. This has meant that football has increasingly been led by the short term interests of club owners to the detriment of the longer term interests of the sport. It has also compromised the ability of many governing bodies to impose robust independent regulation.

Club Licensing and Financial Fair Play rules, such as those introduced by UEFA, are very welcome. However, they are largely absent from most leagues – and this has allowed a culture of 'casino economics' where irresponsible spending and risk-taking has gone unchecked¹⁷. Poor levels of scrutiny and financial regulation have also meant that potential corruption and poor practices (for example in transfer dealing) are not properly controlled. Governing bodies have also failed to maintain proportionate

levels of solidarity payments (redistribution) to lower leagues and the grassroots, weakening the pyramid structure as well as the important social function of football away from the big clubs and star names.

SD Europe's Position

Supporters, the financial and cultural mainstay of football, are almost universally absent from the executive bodies of national associations and leagues and they are rarely consulted about major decisions that affect the sporting structure. There is some good practice – the Football Union of Russia includes a supporter representative on its Executive Committee¹⁸ and UEFA includes specific references to supporters as key stakeholders in its Articles of Association¹⁹. On the whole, though, governing bodies are largely unaware of the views of supporters and as a result make decisions that do not take account of their interests.

However, a survey of the 53 national associations in UEFA conducted by UEFA and Supporters Direct said that all associations thought it was 'important' or 'very important' to have dialogue with supporters and half thought supporters having a say in running their clubs was 'a good thing.'²⁰

Supporters Direct and its members have campaigned about these issues for a number of years. Partly as a result of

this lobbying there has been a growing concern amongst national policymakers about the state of football's governance in some Member States. Supporters Direct has been involved in both the UK and France in Parliamentary inquiries. This included the preparation of a Framework for Supporter and Community Engagement based on a progressive pathway of increased rights and responsibilities for supporters that could be applied across Europe.

All associations thought it was 'important' or 'very important' to have dialogue with supporters

Section 1 SD EUROPE'S RECOMMENDATIONS

Establish and Promote Good Governance Guidelines for Football at a European Level:

- These guidelines should be agreed by EU institutions; adopted by Member States and the European Council; and implemented as part of club licensing arrangements by all national associations and leagues.
- This should include a clear, formalised role for all stakeholders, including supporters, in decision making structures at all levels in the game.

Develop the Role of Democratic Supporter Organisations in Governance:

- Supporter involvement in football governance should be formalised, structured, and based on democratic principles.

International and national football governing bodies should support the development of democratic supporter organisations:

- This includes funding, sharing of best practice, and active inclusion in their own constitutional structures.
- Federations should also support the structured involvement of democratic supporter organisations at clubs.
- An incremental system needs to be implemented that increases levels of representation for supporters' organisations based on set criteria demonstrating that they are well run, democratic, open, and working to build a constructive engagement, which may include an ownership stake.
- A practical path to fan representation at board level should be included in the applicable licensing statutes.
- Where feasible the development of schemes to increase supporter shareholding at clubs should be supported.
- As a minimum, initial step, supporter forums and charters should be established at all clubs and Supporter Liaison Officers (SLOs) should be put in place extending the approach taken in Article 35 of UEFA's club licensing regulations²¹.

Member States and national public authorities should provide assistance to the development of democratic supporter organisations:

- Federations should ensure the proper representation of supporters within national sport governance structures through structured formal involvement at all levels of decision making including where applicable representation at executive boards.
- Member states can facilitate this process through lobbying, conditional funding, and where necessary, legislation and/or regulation to support these aims.

Make Public Funding Conditional:

- To promote good governance, public institutions (including the European Commission, Member States and local government) should establish the principle of conditionality in relation to public funds and create incentives to encourage supporter involvement.
- As an example, with regard to funding for the promotion of sport made available as part of Erasmus for All from 2014, those that receive public funds should only do so if they can demonstrate delivery of established criteria in good governance.
- A sliding scale of robust criteria and incentives should be established which promote democracy, transparency, and accountability.



IMPROVING THE FINANCIAL SUSTAINABILITY OF FOOTBALL CLUBS AND LEAGUES

Context

Sport is a major economic activity and the economic dimensions of sport contribute through growth and jobs (3.7% of EU GDP and employment of 15 million people or 5.4% of the labour force²²) across Europe.

Despite the wider economic crisis, the football market as a whole continues to grow - by 4% to €16.9 billion in 2010/11²³. However at the same time football clubs face record levels of debt -

overall net losses of Europe's leading football clubs reached €1.641 billion²⁴ and hundreds of millions of Euros are owed to state authorities in unpaid taxes²⁵. Many football clubs (and especially those lower down their national pyramids) face a perilous financial situation.

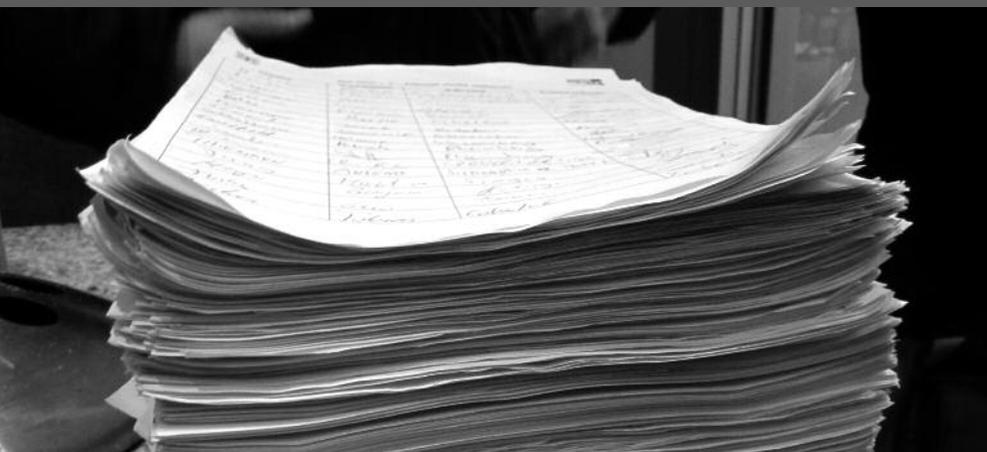
However, the financial problems faced by European football – poor redistribution of resources within and between leagues, clubs overspending and facing financial crises, and a lack of competitive balance –

are solvable. It is a governance crisis that causes an economic one. The financial resources are available to redress the situation through a more holistic approach. This approach, creating more sustainable financial models in football, improving financial solidarity and competitive balance can be assisted through improving supporter involvement in the game and better management.



SD EUROPE: KEY POINTS

- Football governing bodies need to ensure there is better redistribution of resources to promote a healthy level of competition and a healthy pyramid structure.
- Football clubs should better manage their resources and only spend within their means - Financial Fair Play rules should regulate this throughout leagues.
- Financial instabilities in football need to be addressed through more inclusive and accountable decision-making structures at clubs and governing bodies.
- Community ownership should be encouraged through preferential finance and/or tax measures.



**It is a governance
crisis that causes
an economic one**

THE FINANCIAL SUSTAINABILITY OF FOOTBALL CLUBS

IDENTIFIED PROBLEM AREAS

- Football clubs have a chronic tendency to live beyond their means.
- Numerous clubs in Europe are going into insolvency – with a negative impact on their local communities.
- The decision-making structures of most football clubs do not work in favour of the long term sustainability of the club.
- Clubs that operate sustainable, long term financial policies are disadvantaged by overly permissive and light-touch regulatory frameworks, which have been shown not to work adequately.

Overspending has resulted in large numbers of clubs entering into insolvency proceedings

Despite increased revenues, the financial stability of clubs has been undermined because there is a chronic tendency for them to spend more than they earn. Although income increased by 4% in 2010/11²⁶, there was a net loss of €1.641 billion across Europe's top clubs - an increase of 36% on the previous financial year.

Clubs overspend for a number of reasons. With greater rewards for success and greater penalties for failure, clubs therefore have a greater tendency to 'gamble' on winning, which has created irrational and systemic risk-taking. 'Financial doping' – the use of debt to cover trading losses, finance from soft loans and benefactor investment, and spending disproportionate to income - increases football's financial instability. This is amplified by a perceived scarcity in resources which perpetuates an 'arms race' in spending on players.

For example, Deloitte reported that the percentage of revenue spent on wages in Europe's 'big five' leagues increased from 60% to 66% between 2010 and 2011. Overall, wages increased by over 2% (€100m) to exceed €5.6 billion in 2010/11²⁷, outstripping increases in revenue.

This fundamentally undermines the financial sustainability of clubs. UEFA's Financial Benchmarking Report²⁸

on 650 clubs said that in 2010:

- Half of the top European clubs (revenue >€50m) reported operating losses. 29% of clubs reported significant losses equivalent to spending €12 for every €10 in income; and 52% of clubs reported a weakening in their balance sheet.
- Only 2 of 20 top divisions broke even on aggregate and the situation is worse further down the football pyramid.
- 78 clubs spent more than 100% of their revenue on wages; and 1 in 8 had 'going concern' issues raised by their auditors.

This overspending has resulted in large numbers of clubs entering into insolvency proceedings, which in some cases has led to bankruptcy. By 2012, there had been 92 instances of insolvency at clubs competing in the top five divisions of the English pyramid since the formation of the Premier League in 1992²⁹; including Leeds United, Portsmouth and (in Scotland), Glasgow Rangers. In Italy, between 2002 and 2012, 103 professional clubs from the four top divisions collapsed, among them Parma Associazione Calcio and Società Sportiva Calcio Napoli in 2004 and Torino Calcio and A.C Perugia in 2005.³⁰

In Spain, 22 clubs have been or still are under administration since the introduction of the Concursal Law in 2003 and March 2012. Clubs under administration, or

under concursal law 22/2003, for example are: Real Betis Balompié, Málaga Club de Fútbol and Real Club Deportivo Mallorca.

At present there are 12 clubs in administration: Rayo Vallecano de Madrid, Real Zaragoza, Real Betis Balompié, Granada Club de Fútbol and Real Club Deportivo Mallorca in the first division; Hércules Club de Fútbol, Cádiz Club de Fútbol, Polideportivo Ejido, Real Club Recreativo de Huelva, Xerez Club Deportivo, Córdoba Club de Fútbol in the Segunda División and Segunda División B.

Any club entering insolvency has a severely detrimental impact on the communities in which they are located. Supporters Direct's research showed that when Portsmouth FC went into administration, local community organisations were deprived of £400,000³¹ they were owed.

Debt is also mounting in European football and this is perpetuating a 'benefactor' model of ownership that further undermines stability:

- The net debt of the top divisions in Europe is estimated at €6.9 billion; and '237 or 36% [of clubs surveyed by UEFA] reported negative equity (more liabilities than assets) in their balance sheets' in the financial year ending 2010. 'This included top division clubs from 47 different countries and also included 20 of the 73 "top" clubs.'³²
- In 2010 owner and benefactor capital injections were estimated at a total of €3.4bn in Europe³³.

Clubs who operate sustainable, long term financial policies are disadvantaged under football's regulation because the authorities generally allow clubs that operate unsustainably to prosper. This creates a situation that makes it harder for responsible clubs to compete. Even where central marketing of media rights exists, rewards still benefit those

who operate unsustainable financial policies. The general absence of wider groups of stakeholders in club governance and scrutiny hinders a change of direction away from this approach.

At a European level, significant progress has been made with the introduction of the UEFA Club Licensing and Financial Fair Play (FFP) regulations.

It seeks to address some of the worst excesses of club overspending by:

- Reducing reliance on debt and benefactor investment.
- Introducing more discipline and rationality in club football finances.
- Encouraging clubs to not spend more than they earn.
- Encouraging investment for long term, not short term reasons.
- Ensuring clubs settle their liabilities on a timely basis.

UEFA's Benchmarking Report suggested that in 2010 56% of clubs competing in UEFA club competitions would have failed at least one FFP indicator and would have been required to supply additional information³⁴. However, FFP only applies to clubs competing in European level competitions and this raises the need for the extension of rules to domestic leagues. We have already seen moves towards this in the UK, with the Football League announcing the agreement of "a Financial Fair Play framework that will operate in all three of its divisions from the beginning of the 2012/13 season." In the Championship, clubs voted to introduce a breakeven rule based on FFP regulations, whilst Leagues One and Two will implement a Salary Cost Management Protocol that limits total spending on player wages to a proportion of club turnover.³⁵

SD Europe's Position

SD Europe has led the way in demonstrating how democratic representation and formalised

supporter involvement in football clubs can contribute to financial sustainability. SD's research suggests that supporter groups with ownership stakes in their clubs tend to have more access to financial and other information (eg. board reports), allowing broader scrutiny of finances by a wider group of stakeholders³⁶.

SD has called for increased 'regulation from below' in the form of structured involvement of fans within club governance, to sit alongside a 'regulation from above', in the form of an extension of UEFA's Club Licensing and Financial Fair Play Regulations to all domestic professional and semi-professional leagues.

SD Europe believes that ensuring financial sustainability and probity in football ultimately requires better regulation hand in hand with formalised supporter involvement. Structured benefits of formalised supporter involvement and ownership include:

- Clubs that are run with a view to the long term interests of their key stakeholders, rather than the short term interest of shareholders are more likely to prosper³⁷.
- There is increased accountability and scrutiny associated with stakeholder involvement and ownership.
- Clubs that constitutionally have to reinvest profit into the business are more financially sustainable.

Business benefits of supporter ownership³⁸ include:

- Longer term and more sustainable partnerships with key strategic partners.
- A range of business and funding opportunities, from help with development of new facilities, to innovative finance, to attracting sponsors keen to be associated with 'ethical' football clubs.
- Greater supporter resilience and higher satisfaction, strengthening the long term business.

COMPETITIVE BALANCE

IDENTIFIED PROBLEM AREAS

- The wealth gap between the richest clubs and the rest has become too wide, something that is also reflected in the gap between leagues.
- This undermines the financial solidarity and the competitive balance of football, threatening the ability of all leagues in European football to compete.
- The distribution of revenue from UEFA club competitions tend to intensify the gaps.
- Central marketing may help to address the balance within leagues but does not necessarily address of addressing the differences between leagues.

The effects of European competitions:

The wealth gap between the richest clubs and the rest in Europe has become too wide, undermining football's financial solidarity and the health of its pyramid structure. *Deloitte's Football Money League 2012* report said that the top 20 revenue-earning clubs had 'combined revenues of €4.4 billion in 2010/11, over a quarter of the entire European football market'. This systemic issue also drives greater risk taking by others attempting to bridge the gaps between the haves and the have-nots.

The effects of differences between leagues at European level: The dominance of the big five leagues means that it has become harder for clubs in 'smaller'/other leagues to compete. An absence of top flight European competition means that it is harder for smaller clubs to generate enough revenue through media rights, gate receipts, commercial rights, and sponsorships to compete internationally.

Domestic distribution models and balance between leagues:

It has become harder for clubs in less wealthy leagues to compete for talent with the 'big five', leading to player hoarding and talent drains from some countries to others. This is a vicious circle further weakening

football in supplier countries and undermining talent development in recipient leagues. Although the UEFA Champions League (UCL) access list³⁹ does allow some clubs from smaller countries to participate and benefit, the imbalance between the 'big five' and the rest is stark. The pyramid structure depends in the future on the fundamental agreement that while it enables top tier leagues to flourish, the underlying principle is that both elite and grassroots sports can be run in a healthy, sustainable and well governed way.

Both increased debt and the distribution of rewards for participating in and succeeding in UEFA club competitions are increasing the gaps between leagues and between clubs within leagues. UEFA has made some changes to the distribution of UEFA Champions League (UCL) income – increasing solidarity payments that go to youth development for clubs not in the UCL from 5% to 6.%; and redirecting €43m of UCL rights monies to the Europa League prize pool. However, this needs more attention and much more needs to be done to create a more competitive balance across Europe.

The effects of domestic distribution models and balance within leagues:

The principles of solidarity which underpin the European model of sport rely on competitive balance being maintained in

leagues with sufficient numbers of clubs so that those clubs are competitive. This can be achieved through redistribution of income. Central marketing of media rights has to some extent helped to redress competitive balance within some leagues (e.g. Premier League and Bundesliga) although even here great disparities of wealth persist. However, the central marketing of media rights and the financial solidarity dependent on it has been undermined in some other countries by clubs selling rights individually, as the Spanish example illustrates.

Also, despite huge increases in media rights revenues in sport, this has failed to adequately 'trickle down' to the grassroots. A recent EU report on the financing of community sport said that 'revenue from media rights allocated to grassroots sport is just €0.5bn, only 0.7% of all grassroots sports income.'⁴⁰

SD Europe's Position

Increased transparency in decision making and formalised stakeholder involvement in the decision making structures of clubs, associations and leagues can help clubs but also governing bodies to be run sustainably because stakeholders have a guaranteed, long term interest in their sport.⁴¹

However, only a robust regulatory environment can help to protect clubs who apply sustainable financing methods from being outmuscled by clubs which simply live above their financial capacity. Domestic leagues need a 'multi-faceted approach' to increase sustainability and competitive balance: (a) sound regulatory environment, (b) supported by distribution model that avoids creation of major wealth gaps that cause systematic and behavioural problems.

The increase in revenues still being experienced in the big leagues and by UEFA should be seen as a historic opportunity. Central marketing of media rights within a given league is the basis for healthy league competitions, but better distribution of revenues from media contracts between the clubs is needed to ensure a minimum level of fair and balanced competition. Revenues from central marketing can also be used as an incentive to encourage better governance at club level.

The wealth gap between the richest clubs and the rest in Europe has become too wide, undermining football's financial solidarity and the health of its pyramid structure

Section 2 SD EUROPE'S RECOMMENDATIONS

SUSTAINABILITY

Implementation of national Club Licensing Systems and Financial Fair Play rules throughout leagues:

- Sustainable and responsible club finances and financial fair play needs to be ensured through the introduction of national club licensing systems and financial fair play rules throughout leagues, based on the UEFA model.
- Financial stability and good governance principles need to apply to all clubs throughout the leagues and not just to clubs taking part in UEFA club competitions.
- Club licensing systems should also require supporter involvement through a progressive pathway of increased rights⁴²

Supporter ownership of clubs and the formalised involvement of supporters in the governance of clubs:

- A clear and structured framework to ensure supporter involvement across the spectrum (from engagement to ownership) should be encouraged by all stakeholders because it provides a level of transparency, financial scrutiny and 'regulation from below'.
- Community ownership should be encouraged through preferential finance and/or tax measures which should be encouraged and sanctioned by the EU and implemented by member states.

COMPETITIVE BALANCE

Conditional Distribution of Football's Resources:

- Federations, leagues and clubs need set clear guidelines on how to implement and ensure good governance.
- Some of the rewards from central marketing should be tied to the demonstrable implementation of good governance guidelines including formalised supporter involvement.

Rewards from central marketing of media rights, as well as other collective income, should be used more effectively to improve governance at club and national levels and maintain a healthy pyramid structure:

- To ensure financial sustainability of the game through the pyramid and across Europe, federations and clubs should manage their increased revenues more effectively.
- The EU already encourages the central marketing of media rights by leagues on behalf of the clubs and has declared an equitable distribution of income compatible with EU competition law provisions.
- Member States should encourage national associations and leagues to adopt central marketing where it does not currently exist.

Increased revenue streams through media rights or commercial partners should be used to address governance and structural problems rather than being used to further increase player salaries and agent fees:

- UEFA should consider ways in which it can further address competitive imbalances across Europe through the organisation of its competitions and distribution of revenues.
- Member States need to encourage national governing bodies to adopt similar approaches



IMPROVING THE SOCIAL FUNCTION OF SPORT

**Sport has historically
been one way in
which citizens become
active in civil society
organisations**





SD EUROPE: KEY POINTS

- EU institutions, member states and football associations should assist SD Europe in addressing barriers to representation, structured involvement and ownership to promote democracy and active citizenship.
- They should also help fund volunteer and community engagement by supporters' networks to promote active citizens, grassroots sport and community cohesion.
- Football needs to address the exclusion of some groups, notably young people, which occurs through high prices and ticketing policies and establish a culture of participation to encourage active citizenship and citizens' involvement.

Context

The EU has recognised the social value that sport can bring in a number of key reports⁴³. The attraction of football means that it is particularly well placed to engage citizens and contribute non-sporting, socially beneficial outcomes.

This has been reinforced by SD's Social Value of Football research⁴⁴ which emphasises the 'added value' that

supporter engagement and ownership can bring in a number of areas that are of key interest across the EU.

Supporter ownership and structured involvement can improve the sport of football, by delivering improved governance, by incorporating a broader range of interests into decision making. At club level this can open clubs up physically and philosophically to the communities they affect.

This helps to deliver wider social benefits in:

- Encouraging democracy and active citizenship.
- Developing volunteering and better community cohesion.

DEMOCRACY AND ACTIVE CITIZENSHIP

IDENTIFIED PROBLEM AREAS

- There are a range of challenges to democracy and active citizenship in the EU, especially for young people.
- Sport's potential to contribute to addressing these issues is not being realised.
- Poor governance, lack of engagement and the financial instability of clubs are making football's ability to contribute to democracy and active citizenship harder to achieve.

Poor governance and the financial instability of clubs are making football's ability to contribute to democracy and active citizenship harder to achieve

The proposal for European Year of the Citizen highlighted the challenges to democracy and active citizenship in Europe:

- There are significant gaps in citizens' awareness of their rights.
- 79% of citizens claim some familiarity with the term 'citizen of the EU', but they lack concrete knowledge.
- Only 43% know the meaning of the term 'citizen of the EU'.
- Almost half of European citizens (48%) indicate that they are 'not well informed' about their rights.⁴⁵

Participation of young people in civil society organisations and democratic structures has been identified as a particular problem. The Erasmus for All programme (2014-2020) seeks to address the challenge of developing social capital among young people, including empowering them to participate fully in society, encouraging the participation of young people in democratic life in Europe, and increasing young people's involvement in democratic organisations, politics and society.⁴⁶ More generally, the declaration of 2013 as the European Year of the Citizen said:

'The better the men and women of Europe understand their rights as EU citizens, the more informed the decisions they

*can take in their personal lives, and the more vibrant democratic life in Europe can be at all levels.'*⁴⁷

Sport has historically been one way in which citizens become active in civil society organisations. The European Model of Sport is based upon its democratic structures and is recognised as helping to deliver wider benefits to society more generally. This includes the participation of citizens in the 'interlinked principles' underpinning sport – autonomy, democracy, transparency, accountability, and inclusiveness in the representation of interested stakeholders.⁴⁸

Although sport can help address these issues, poor governance and the financial instability of clubs are making football's ability to contribute to democracy and active citizenship harder to achieve. The rising cost of football and more formalised ticketing also mean that young people are increasingly excluded from attendance as match-going fans, diminishing their involvement in civil society organisations. Football has great potential to engage people in democratic structures and civil society organisations; but it is not being realised due to the exclusion of key stakeholders, notably supporters, from governance and decision making.



SD Europe's Position

The inclusion of democratic supporter organisations at their football clubs increases participatory opportunities for stakeholders. The UK supporters' trust model and the member-ownership structures of clubs in Sweden, Germany, Spain and elsewhere are based on a principle of 'one-member-one-vote' where members have an equal say on rules, policy and electing officials. This emphasis on membership providing equal status, rather than investment providing an unequal say, means that these sorts of democratic supporter bodies are ideal organisations to encourage active citizenship and participation in democracy. This is particularly so because football is attractive to people, especially the young, and has been called 'the biggest civil society movement in the EU'⁴⁹.

SD Europe's work has demonstrated how democratising football through supporter involvement can help citizens learn these democratic skills, which in turn helps cement democracy and active citizenship within Europe as well as being of benefit to football clubs and institutions.

Democracy works best when it is part of a daily norm for citizens, as opposed to the



irregular and formal opportunities to vote. Football should be a key part of making democracy a daily norm. Greater participation in non-political or governmental fields – such as democratic supporters' organisations – will drive greater participation in the formal mechanisms of European democracy.

Supporters Direct's research has shown how supporter owned clubs generate greater fan involvement in clubs, as representatives and volunteers, than at clubs under other forms of ownership⁵⁰. However, most clubs are not fan owned and many supporter groups lack the capacity and opportunity to fulfil a meaningful and engaged role to their full potential.

The better the men and women of Europe understand their rights as EU citizens, the more informed the decisions they can take in their personal lives, and the more vibrant democratic life in Europe can be at all levels.

COHESIVE COMMUNITIES AND VOLUNTEERING

The cohesion of communities in Europe has been put under strain by the increased mobility of people, the economic crisis, a decline of traditional industry, and increased immigration. This has meant that communities, particularly in urban areas, can be more fragmented and divided.⁵¹

Many football clubs are based within urban areas where these problems are most acute. Historically, clubs have played a unifying role within urban communities, bringing people together as supporters, creating strong collective identities, and generating routes into playing and administration because of football's power to engage.

However, many clubs are less able to play this positive role in their communities for a number of reasons:

- The deterioration of traditional ties between club and community as a result of increased commercial imperatives.
- The problems of financial instability and uncertainty in club ownership.
- A decline in solidarity payments to assist grassroots sports organisations.

The European Commission has highlighted the role of volunteering in creating active citizens and collective identities 'through the universal language of sport'⁵². However, as stated by the Expert Group on Sustainable Finance in Sport, a number of factors have contributed to 'a challenging

environment for grassroots sport in the future,' including a lack of revenue from media rights supporting grassroots sport (just 0.7% of grassroots sport finance).⁵³

The threats to grassroots sport reduces the opportunities for supporters to take up roles in club and football governance and the lack of resources (both human and financial) of supporters' organisations mean that opportunities for volunteering within democratic civil society and sport organisations is also lessened.

SD Europe's Position

SD's research has shown that supporter ownership and involvement can help develop more cohesive communities, and encourage community sport and volunteering in a number of ways. Clubs that are supporter owned:

- Allow a greater number of community stakeholders to participate in the club's governance and operations.
- Have a more holistic relationship with their local communities and play a wider variety of roles locally, both formally and informally.
- Tend to be more open and more accessible to a wider range of local stakeholders and generate higher levels of volunteering and greater commitment.⁵⁴

Greater involvement of democratic supporter organisations at their football clubs would increase the social value of

IDENTIFIED PROBLEM AREAS

- There is a growing need for mechanisms to promote community cohesion in a Europe that is increasingly diverse and facing particular demographic and economic challenges.
- Historically, football has provided a space for the development of collective identities as a sport that allows everyone to participate, as players and fans, and this role should be further strengthened through European wide supporter networks .
- Football's huge potential to engage people at grassroots level, particularly as volunteers, can be supported through supporter ownership and involvement.

clubs. The value produced is not just from the community outreach and the way it considers its community in its business activity. Via supporter involvement, clubs can also help people feel part of a locality and generate local pride. A sense of community can be derived from the club if it integrates community concerns.⁵⁵

Supporters' organisations have supported community interventions by raising funding for their clubs' community charities⁵⁶ and some supporter owned clubs are examples of best practice in delivering community sport and education. In the UK, Brentford FC's community trust was Community Club of the year four times whilst it was supporter owned and FC United of Manchester is currently the Football Foundation's Community Club of the Year. Supporter owned Hamburger SV in Germany has a Department of Supporting Members that oversees a number of ways for volunteers to participate and to benefit the community, including supporter embassies, a young supporters' group and amateur sports departments.⁵⁷ The positive role of supporter owned clubs within their locality is also reflected in greater levels of satisfaction from a wider range of stakeholders than at non-supporter owned clubs.⁵⁸

Supporters Direct has led the development of innovative community finance initiatives such as Community Shares and has helped develop ways in which



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football's assets (such as football stadia and training grounds) can be protected for community benefit⁵⁹.

Supporters' organisations are predominantly voluntary organisations and are an excellent way of promoting volunteering amongst local communities. SD's research has suggested that supporter owned clubs demonstrate a better ability to generate high levels of volunteering than those that are not supporter owned⁶⁰. They can make the club as a whole a hub for community cohesion, rather than just its community outreach department.

Historically, clubs have played a unifying role within urban communities

Section 3 SD EUROPE'S RECOMMENDATIONS

Facilitate democracy and active citizenship through supporter involvement:

- Football associations and leagues should encourage active citizenship by enshrining the formal involvement of democratic supporters' organisations at clubs (as part of club licensing systems) and national associations (through constitutional change).
- Clubs should actively engage with supporters' organisations to ensure greater involvement of young people in particular.
- The Erasmus for All programme (2014-2020) should earmark a certain percentage of funds in each strand to smaller scale programmes and grass-root initiatives

Further research and evaluation is required in order to understand properly and account for the social impact of football (and sport more broadly).

- Public authorities and sport organisations should also facilitate the development of further research in this area, such as that undertaken by Supporters Direct in the UK.
- EU institutions, individual Member States and football governing bodies should actively encourage this process by funding supporters' organisations in developing democratic supporter structures.

Strengthen cohesive communities and volunteering:

- Funding to increase the ways in which supporters' organisations can engage volunteers and expand their work should be provided by EU institutions.
- EU institutions, Member States and football governing bodies should continue to support SD Europe in its stated aim of sharing best practice and promoting community integration and volunteering at clubs through the involvement of wider stakeholder groups in club governance.
- Additionally, national federations should assist supporters' organisations in their countries in developing volunteer programmes, and broadening civic participation.



BEST PRACTICE



A LA NANTAISE, L'ASSOCIATION DES AMOUREUX DU FC NANTES – JEU À LA NANTAISE

Regulation of football in France has not been extended to the area of supporters. One of the groups campaigning for a greater role in the ownership and decision-making structures of their club is A la nantaise, l'association des amoureux du FC Nantes (ASSO-ALN).

Formed in 2010 under democratic principles, the group aims to restore civic pride in their club, by increasing supporter involvement in ownership and decision making. Drawing upon the traditions of the jeu à la nantaise, ASSO-ALN have recruited over 2,000 members, and gained support from a wealth of local and national stakeholders.

Support has come from the Nantes Municipal Council and current Prime Minister of France (then Mayor of Nantes), Jean-Marc Ayrault, who submitted a motion calling for a reform of football governance through financial regulation, recognition of the specific statutes of football within the community and community ownership.



FC UNITED OF MANCHESTER – DOING THINGS DIFFERENTLY

FC United of Manchester was formed in 2005 by disaffected and disenfranchised Manchester United supporters. The semi-professional club seeks to demonstrate that there is a better way to run football: it is democratically owned and run by its 3,000+ members; and it aims to be 'accessible to all the communities of Manchester'.

FC United strives to 'do things differently':

- In 2009 the members supported a suggestion from the elected board to pay what they want for season tickets - the average price paid increased.
- In 2011 FC United launched a Community Share Scheme to fund the development of a stadium and community sports facility in North Manchester, raising £1.7m in non-voting 'withdrawable shares'.
- The club's large Community Programme promotes health, education, sport, and volunteering. FC United won the Cooperative Excellence Award in 2009 and was made Football Foundation Community Club of the year in 2012.



HSV SUPPORTERS' CLUB – SHAPING CLUB POLICY

Hamburger Sport-Verein e.V (HSV) is a multi-sports club based in Hamburg - its football department being one of the oldest in Germany. Member ownership is supported by a comprehensive club licensing system and the '50 + 1' rule, which means the parent club must be a members' association and must retain the majority of voting shares in the separate company.

HSV Supporters' Club was founded in 1993 with four principal aims: to raise the level of influence wielded by fans; to participate in club activities; to mould club policy for the good of its members and supporters; and to maintain the comradeship amongst HSV supporters. Its current membership stands at over 54,000.

Through the Supporters' Club, HSV supporters are fully integrated in both the club's formal governance structure and everyday mechanisms - no decisions relating to fans are taken without their input.



SWANSEA CITY SUPPORTERS' TRUST – FAN OWNERSHIP IN THE PREMIER LEAGUE

Swansea's ascent to the Premier League has brought fan ownership to the highest levels of the English game.

The Swansea City Supporters' Trust was formed following a meeting of 150 fans in July 2001 when the club was on the brink of bankruptcy due to unscrupulous owners. With the advice and support of Supporters Direct, the Trust was swiftly established and over 600 supporters joined it on the day of its official launch.

Supporters brought together a consortium that eventually returned control of the club to them. The trust raised £50,000 to take a 19.99% stake in the club. It is now the third largest shareholder and plays a role in the decision-making process through the presence of an elected Supporter Director on the Club Board.

The directorship cannot be removed, regardless of any future share issues and season ticket holders at the Liberty Stadium automatically become Trust members. Unlike many lower league clubs with ambitions of reaching English football's top table, the Swans live within their means, prioritise relations with local stakeholders, and place supporters at the heart of the club.



SOSTENIAMOLANCONA – PASSION THAT CAN'T BE RELEGATED

In 2010 more than 20 clubs were either relegated or liquidated in Italy as a result of chronic financial mismanagement. In Ancona, supporters of the local club came together as their club was relegated from Serie B to the Eccellenza – the sixth level of the Italian pyramid.

In August 2010 Sosteniamolncona was formed by 700 supporters of the club as a democratic organisation committed to the development of a community club with supporters at its heart. It operates under the slogan "Our passion can't be relegated." During their first season competing in Eccellenza, the club won three trophies.

With crowds of 3500, the group signed an agreement, known as "the fourth trophy", enshrining democratic supporter representation - via two elected representatives on the club board and a 'golden' shareholding with key rights attached to it - in the club's constitution: a true landmark for Italian football.



IMPROVING TRANSFER OPERATIONS

A variety of bad practices and external threats have been identified with regard to transfer operations

Context

The arms race for footballing talent is at the very heart of the professional football business. The buying and selling of players in the transfer market also drives the solidarity mechanisms that exist to encourage investment in the development of young footballers around the world. FIFA regulates the international transfer system through its 'Regulations on the Status and Transfer of Players' and the 'Players Agents Regulations'. However, a variety of bad practices and external threats have been identified with regard to transfer operations including:

financial crime, money-laundering, corruption, tax evasion, exploitation of under-age players, fraud and conflicts of interest.

As such it is important that the football authorities ensure that the game is appropriately safeguarded from these problems, but it is equally important that member states and their public authorities respond respectively.

The operation of the transfer system is a critical part of the governance of the sport. As such SD Europe believes that there are



SD EUROPE: KEY POINTS

- Increase the transparency of transfer operations.
- Third-Party Ownership should be prohibited.
- The activities of sports agents should be more comprehensively regulated.

key principles which underpin the successful operation of the transfer system and ensure sustainability and transparency in the governance of football clubs.

SD Europe's Position

SD Europe endorses the best practice principles of transparency and accountability, which must be applied to the operation of the transfer market.

Transparency in relation to market information, decision making and outcomes alongside appropriate levels

of accountability, will provide meaningful scrutiny as a check and balance, thereby lowering the risk of misconduct and abuse in the transfer market.

We believe there are specific steps that can be taken by clubs, leagues, and federations based on the experience of transfer operations in other sport markets (such as the publication of financial details) that can create a more transparent and sustainable transfer market. However, in order for meaningful long-term improvements to be made, the overall regulatory framework will also need to be adjusted in certain areas to deal

with the challenges now faced in the modern game.

We further believe that the democratic representation of supporters in the decision-making processes of clubs and governing bodies will help promote these principles and lead to better governance and a more transparent trading environment.

All of these steps should provide a more open and sustainable market that in turn increases the possibility, and viability, of supporter-led ownership of football clubs.

TRANSPARENCY IN TRANSFER OPERATIONS

IDENTIFIED PROBLEM AREAS

- Little information made available on overall operations of the transfer market.
- No recognised financial system for the trading process.
- Little regulatory intervention in the market, increased risk of manipulation and other abusive criminal behaviour.

Context

The transfer market is inherently opaque with very little information made available regarding its overall operation, the availability of the players that are traded, and the financial outcomes that are generated. This applies both within the market (where players and clubs are often deprived of key information) as well as outside the market (where key information is simply not available to external third parties), impacting on decision-making.

The sums of money involved are very significant at the top end of the game with a high level of subjectivity attached to the valuation of the players that are traded. In addition there has been, and still is, very little proactive regulatory intervention in the market.

This leaves the market open to manipulation and increases the risk of misconduct/market abuse as well as of potential fraud, money laundering, tax evasion, and other criminal behaviour. All of these factors expose clubs to greater levels of risk and uncertainty which in turn has an impact on the credibility and sustainability of their operations and the sport generally.

Despite the positive steps taken with the introduction of FIFA's Transfer Matching System in 2009, this is a validation tool only and there is no recognised football specific system for managing the financial aspects of the trading process at international level.

There is no recognised football specific system for managing the financial aspects of the trading process at international level.



THIRD-PARTY OWNERSHIP (TPO)

IDENTIFIED PROBLEM AREAS

- TPO can have a distorting effect and diverts money away from football clubs.
- TPO reduces a club's control over its players.
- TPO gives significant financial influence/control to third parties that sit outside the sports regulatory bodies.
- TPO potentially threatens sporting integrity and harms contractual stability.

Context

The football transfer market acts as a solidarity mechanism to incentivise player development and redistribute wealth from the top end of the game to grassroots. TPO fundamentally threatens this model.

TPO is used by clubs as a mechanism either:

- To generate short term cash by divesting the rights to players for value.
- To sign players which would not otherwise be affordable by acquiring only a proportion of the economic rights.
- To dilute the risk of financial investments in key assets through burden-sharing.

Whilst these may be seen as benefits, they are only short term benefits and are significantly outweighed by the long-term negative consequences. TPO can have a distorting effect as player investments or trading are solely driven by financial

interests which divert money away from football clubs into the hands of external speculators.

This creates risks for football clubs and the sport as a whole due to the following:

- It potentially removes, or significantly reduces a club's control over its own players, passing that control to third parties who may have no interest in the long term position of the club but will have an interest in generating player movement to crystallise their return on investment;
- It threatens the social and community value of football clubs if they are acquired solely as vehicles for player trading.
- It gives significant financial influence/control to third parties that sit outside the sport's regulatory structures, and who often operate through opaque offshore structures which in turn increases the risk of market abuse and/or criminality.
- It potentially threatens sporting integrity

(e.g. players on opposing teams owned by the same entity) as well as increasing the risk of other market abuses such as match-fixing, all of which potentially undermine public confidence in the sport.

TPO is already prohibited in French and English football. However, it is not prohibited by FIFA at international level⁶¹ and remains a prevalent ownership model in South America and is increasing in certain European territories including Portugal, Spain and Turkey.

Prohibition at international level will involve major systemic changes that will take time. However, we believe this process should be initiated as a matter of priority. At European level, UEFA's Professional Football Strategy Council is already considering a prohibition on TPO in line with the French and English approach. UEFA has also recently introduced certain disclosure measures into its Financial Fair Play regulations to ensure TPO is not used to circumvent the breakeven requirements. SD Europe also encourages other leagues and national association to ban TPO on an individual basis.



SPORTS AGENTS

IDENTIFIED PROBLEM AREAS

- Significant number of unlicensed agents.
- Little transparency regarding the role, involvement, and payment of agents in football.
- Ethical risks including misrepresentation and conflicts of interest.
- FIFA indicated that it intends to abandon the current licensing system in favour of a different approach.

FIFA has indicated that it intends to abandon the existing licensing regime and has proposed new draft regulations

Context

FIFA's regulations for agents (also known as intermediaries) have been the fundamental basis of the regulatory framework for transfers since first being implemented in 1991. However FIFA has acknowledged that the regulations are not operating effectively in practice and are not being observed in the majority of transfers.

The main problems in the operation and regulation of this aspect of the transfer market are as follows:

- There are a significant number of unlicensed (therefore unregulated) agents operating in the global market.
- There is very little transparency regarding the role, involvement and payment of agents in football, despite the fact that they are estimated to receive over €400m⁶² each year.
- Transactions are often complex and cross-border making meaningful enforcement action difficult and rare.

- The often unregulated and clandestine nature of agent involvement, coupled with the significant sums of money involved creates potential risks of misconduct/market abuse as well as financial crime, corruption, and money laundering.
- There are also ethical risks including misrepresentation, conflicts of interest, and the exploitation of young players.

These risks are significant and endanger the integrity of the sport. FIFA has indicated that it intends to abandon the existing licensing regime and has proposed new draft regulations. These would leave the control of the activities of agents to clubs and players. This is potentially a backward step as these parties will often not be in a position to control effectively the behaviour of intermediaries.

It is essential that any changes to the regulatory regime have the effect of improving market operation, increasing transparency, reducing the opportunity for market abuses and enhancing enforcement action. It remains to be seen whether any proposals from FIFA for a revised approach will meet these challenges and improve the credibility of agency activity in football.

In order to address the above issues and move to a more sustainable and robust regulatory framework SD Europe recommends the following:

Increased transparency in transfer operations:

- To supplement FIFA's Transfer Matching System (TMS) a fully functioning transfer clearing house should be developed for both national and international transfers.
- FIFA must either take a more proactive role in regulating the market robustly or formally delegate more responsibility (and jurisdiction) to its member associations (in particular in relation to agents) to allow them better to regulate transfers into their territories.
- In addition to measures taken by FIFA, all stakeholders must take steps to bring more transparency to the market by publishing (or agreeing to the publication of) more information (for example transfer fees, agents fees and player salaries).
- If necessary, the governing bodies should intervene to ensure this happens through regulation. This will assist in a number of ways, including:
 - improving market information;
 - driving better decision making;
 - reducing inflationary pressure in relation to transfer fees, agents fees and player salaries;
 - improving the sustainability of clubs.

Moving towards a prohibition of Third-Party Ownership:

- The national associations (through UEFA) along with the European Professional Football Leagues (EPFL), The European Clubs Association (ECA), the world players' organisation, FIFPro leagues, clubs and supporters need to have an open dialogue to develop a coherent and coordinated approach prohibiting the ownership of the economic rights in players by entities other than registered football clubs.
- At international level the same approach should be phased in over a period of time to facilitate the unwinding of the systemic positions in certain territories. Robust sanctions must be applied against clubs and/or players that do not observe the rules.

EU institutions should investigate if TPO arrangements are in line with EU law, especially with regard to freedom of movement and fundamental rights:

- EU institutions must encourage a robust and consistent approach to be applied across European football to safeguard against the threats caused by TPO.
- Specific research should be conducted in relation to the legal position with regards the impact of TPO on the rights of players, in particular in circumstances where the player is not under contract with a club.

Enhancing the regulation of sports agents:

- Steps must be taken to improve the overall transparency of the agent and transfer market and the availability of clear market information to promote better behaviour.
- This should include, for example:
 - publication of agents fees;
 - publication of agent/player relationships.
- In addition a meaningful level of regulatory intervention must be put in place in order to ensure there is proper oversight and control of this area of the transfer market and its participants. If FIFA does not do this, then jurisdiction should be delegated to national associations to intervene as they see fit and subject to minimum standards.
- Registration systems for intermediaries should be retained/put in place by national associations so that a clear legal relationship will exist between agents/intermediaries and the national governing bodies.
- Payments to agents should be disclosed to, and processed through, the relevant leagues/associations as well as being disclosed publicly. In every case conflicts of interest must be properly managed so that agents are prevented from operating in a grey area and are required to fulfil proper disclosure requirements.



FOOTBALL AND FAN

UNITED

IMPROVING THE FIGHT AGAINST MATCH FIXING

SD EUROPE: KEY POINTS

- Match fixing not only distorts competition but threatens the ethics and core values of sport.
- When match fixing occurs sports competitions (and ultimately leagues and clubs) risk the loss of commercial revenues, and even more importantly the general interest and confidence of the public.
- Match fixing is not only harming the clubs directly involved but ultimately all clubs taking part in the competition/sport.

Context

Match fixing not only distorts competition but threatens the ethics and core values of sport. When manipulation becomes part of the sporting culture it undermines the credibility of the sport and does irreparable damage to its competitions. Match fixing potentially harms all clubs, whatever the ownership model – both those involved in the manipulation and those that are.

Match fixing and corruption have been identified by both the sport movement and public authorities as key threats to the integrity of sport. Together with other stakeholders the EU Institutions agreed to make the fight against match fixing one of

the priority themes for EU level cooperation in the field of sport.

Match fixing ultimately leads to an overall decrease in the attractiveness of sports competitions and has a negative impact on sponsors, the media, and the public. The intrinsic appeal of sports competitions is based on trust, fair competition, and uncertainty of outcomes. If this can no longer be guaranteed then leagues, clubs, and players risk the loss of commercial revenues and the interest of the general public.

Supporters have a clear interest in joining the ongoing efforts to combat match fixing,

something which can only be successful on the basis of a coordinated approach from all stakeholders involved, as jointly promoted by SD Europe and Football Supporters Europe (FSE). As a key stakeholder, supporters have a responsibility to address the current situation by engaging in the fight against match fixing; and wherever they can add value to the efforts being undertaken by other stakeholders and public authorities.

This fight requires significant investment and we endorse the concept of a “fair return” being provided by the betting industry for the purposes of enhancing integrity operations in football.

Section 5 SD EUROPE'S RECOMMENDATIONS

Supporters play an active role in the prevention of match fixing:

- The fight against match fixing does not start with sanctions and criminal charges but with the dissemination of information and education about the negative impact match fixing has on clubs, leagues and sport as a whole.
- Supporters need to play an active role when it comes to awareness raising campaigns and prevention projects across their peer groups. In this context supporters need to cooperate with the sports movement, public and private bodies.

Better governance of football clubs including supporter involvement and ownership will reduce the risk of match fixing:

- Formalised and direct supporter involvement or community ownership (minority or majority shareholding) leads to more democratic decision-making structures within clubs and thus to more transparency and sustainability.
- The implementation of basic principles of good governance, such as democratic representation and transparency, creates an environment in which match fixing is less likely to occur and the social value of football can unfold its full potential contributing to community development and active citizenship.
- Therefore better compliance regulations with robust risk management and good governance must be an integral part of the fight against match fixing.

Football supporters accept a zero-tolerance approach to match fixing:

- Most Football supporters have an interest in the investigation of all suspicious incidents with regard to match fixing.
- Severe sanctions need to be applied through legal frameworks (both sports law and public law) at all levels and across all participants including clubs.

Supporters back the efforts taken at EU and international level to combat match fixing:

- The joint efforts taken by the national authorities, the EU Institutions and the Council of Europe across all levels of public authorities are central to the fight against match fixing.
- The sports movement with all its different stakeholders cannot win the fight alone. Therefore supporters must welcome all activities at EU level and beyond to join forces in the fight against match fixing.
- SD Europe and FSE cooperate with Transparency International to support the fight against match fixing and work alongside the EU, Member States and other sport stakeholders in the Expert Group on Good Governance.

The fight against match fixing needs a coordinated approach between all relevant stakeholders (e.g. public authorities, federations, leagues, clubs, players, supporters, betting operators and other involved actors):

- This means the communication of actions taken against match fixing and an inclusive approach with regard to all stakeholders in the process. In order for supporters to contribute to the fight against match fixing they need to be formally recognised as a partner in the governance of the sport.



REDUCING DISCRIMINATION AND VIOLENCE

More differentiated and responsible media reporting on incidents and positive supporters' engagement are needed





SD EUROPE: KEY POINTS

- Both supporter and institutional discrimination are still a problem in football.
- Supporter involvement in governance and decision making helps to inculcate responsibility amongst supporters and foster self-regulation.
- Safety and security strategies should prioritise cooperation with supporters.
- Fans' organisations such as FSE, and Non-Governmental Organisations, FARE network and CAFE, need to be supported in their work by EU and football institutions.

Racism and discrimination in football has been evident throughout the modern era and examples of discriminatory behaviour continue to receive a high profile. This includes displays of racist banners, vocal abuse of players, homophobic abuse, and high profile cases of abuse between players.

Although there have been many examples of good practice in supporting anti-racism and anti-discrimination campaigns from football's authorities, research suggests

that club and federation structures still suffer from 'institutional and structural discrimination', and that minority groups remain grossly under-represented.⁶³ UEFA and the FARE network have started to address these issues with a seminar held in 2011 but more needs to be done.⁶⁴

Football has historically also been a site for violence, involving club officials, players, fans, and the police. Although much has been done to tackle the issue, violence is

still a problem. Supporters need to be more involved in attempts to tackle the issue and football as a whole needs to contextualise and understand the issue better.⁶⁵ Also, media reporting has an increasing influence on these phenomena, and more differentiated and responsible media reporting on incidents and positive supporters' engagement are needed.

SD Europe's Position

Although football faces problems of discrimination and violence, it also has to be recognised as a space where people from different countries, areas, and backgrounds can come together. As such, it has a key role to play in community building, particularly at a time when traditional links are disappearing.

Increasing supporter involvement in governance and decision making helps to inculcate a sense of responsibility amongst fans, break down barriers and put them at the heart of decision making when it comes to challenging discrimination and violence. This helps to enfranchise responsible fans.

When incidents of violence and discrimination occur, supporters have very often been excluded from the subsequent consultation on solutions, despite research suggesting that supporter involvement strengthens those solutions.



Alongside European institutions such as the Council of Europe, football supporters' organisations have historically been at the forefront of campaigns against discrimination and violence:

- English and German supporters initiated the first ever Fans' Embassies at Italia '90.
- Supporters' groups helped form the FARE network in 1999, which now covers 41 countries.
- Supporters led development of the Anti-Racist World Cup in Italy and a myriad of anti-racist campaigns at club level, even when clubs have refused to be involved.

RELEVANT ORGANISATIONS IN THE FIELD



- **Football Supporters Europe (FSE)** represents football supporters and supporter organisations in over 40 countries and leads the establishment of fans' embassy services and working for self-regulation and best practice models (including supporter charters) to prevent violence and discrimination. FSE is the recognised supporter organisation working with UEFA on these issues and also works closely with the Council of Europe.

www.footballsupporterseurope.org



- **The FARE network** has become the leading body in Europe in raising awareness of discrimination in football, both on and off the pitch and developing social inclusion practices. FARE network has helped put the fight against discrimination on the agenda for governing bodies, member states, and NGOs. Annual FARE Action Weeks are one of the most successful anti-discrimination racism and social inclusion campaigns in Europe, involving cross-party initiatives from more than 40 countries.

www.farenet.org



- **The Centre for Access to Football in Europe (CAFE)** works to improve accessibility for, and empowerment of, disabled people in football. CAFE advises clubs and stadia on good practice access solutions, has helped to establish disabled supporters' organisations, and has published with UEFA a Good Practice Guide to Creating an Accessible Stadium and Matchday Experience – Access for All.

www.cafefootball.eu



Section 6 SD EUROPE'S RECOMMENDATIONS

EU institutions, governments, and football governing bodies need to back the efforts of FSE, FARE and CAFE in challenging discrimination and violence:

- Provide funding but also formal support and profile raising.
- Fully involve FSE, FARE network, and CAFE in forums and campaigns.
- Provide funding for national and club based anti-discrimination campaigns, the improvement of accessibility of stadium facilities and fans' embassy services.
- Involve FSE in integrated strategies to promote safety and prevent violence, including the provision of expertise and training to security staff.
- Provide funding for fan-driven projects fostering self-regulation amongst supporters.
- The introduction of Supporter Liaison Officers should be encouraged to improve dialogue between fans and between clubs and supporters.
- Support CAFE's call for Europe-wide sports stadium regulation to ensure mandatory fair and equal access to new and existing stadia for all fans.
- Support FARE network's involvement in institutional processes on tackling discrimination.
- Develop best practice models for integrated strategies to improve access for underrepresented groups in football.

Football authorities should continue to give greater priority to tackling institutional discrimination, including open recruitment, encouraging minority employment and diversity training

Football governing bodies at national and European levels need to:

- Take much stronger action against instigators of racism, working with supporters.
- Impose harsher sanctions against incidents of racism.
- Recognise the value of anti-discrimination educational measures involving all stakeholders.

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