

ANALYSING UEFA FINANCIAL FAIR PLAY REGULATIONS THROUGH COMPARISON OF THE PREMIER LEAGUE AND BUNDESLIGA

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Abstract

For many years, the top European clubs were effectively self-governed, with UEFA worried about the power they wielded. However, UEFA have recently announced their Financial Fair Play Regulations in an attempt to encourage teams to live within their means. Although not explicitly stated, it is generally thought that these are aimed at English clubs who, despite having massive revenue streams, continue to operate with large levels of debt. In March 2010, Portsmouth FC was docked nine points after becoming the first Premier League team to enter administration. In addition, the two most successful English clubs of all time, Manchester United and Liverpool, have recently found themselves with combined debts of eur. 1 billion. These are primarily due to the new American owners installing the debt used to purchase the club. This is not against Premier League rules and there is nothing to stop future business men using the same strategies to buy other clubs.

In contrast, the German Bundesliga has recently instigated a strict financial policy called 'Lizenzierungsordnung'. This strict governance has seen the Bundesliga become the most profitable league in world football, with many observers noting a rosy financial future for German football (Frick & Prinz, 2006). However, some have disputed the success of the policy and its effect on German club football in European competition; only one German team has reached the Champions League final since 2002 (Dietl & Franck, 2007). Many commentators in Germany have blamed the strict financial control for this apparent lack of European success.

Jonathan Wilson argues that while the Bundesliga is Europe's most competitive league, it is highly unlikely for any league to maintain this level of internal competitiveness and also enjoy success in European Cups and international competitions. (Wilson, 2010). This has been argued against by Daniel Barthold, who notes that

the financial stringency employed, combined with the success of the 2006 World Cup (in Germany), could be used to the Bundesliga's benefit in the years to come (Barthold, 2009).

This paper looks at the contrasting regulations in the Premier League and the Bundesliga, and attempts to judge the impact that the impending Financial Fair Play Regulations will have on Premier League football clubs. As the Financial Fair Play Regulations are currently only being aimed at clubs competing in European football, I am primarily focusing my attention on the top clubs. However, as they may be expanded to cover all top-flight football, the potential impact on all Premier League clubs is also being considered.

My research, using both positivist and interpretivist perspectives, analyses data through a comparative design (Bryman & Bell, 2007) by contrasting the Bundesliga and Premier League. Qualitative research is currently being conducted through a series of semi-structured interviews and questionnaires in order to find out the need for change in England, and the immediate impact on Premier League success. In addition, quantitative financial data is being analysed to assess the extent of the Premier League's difficulties, through a series of financial ratio analyses in order to determine the financial futures of Premier League football clubs.

Preliminary results are showing that Premier League clubs will oppose the changes imposed on them, especially those larger clubs with sizeable debts. The lack of German success in European competition is a cause for concern to those clubs who rely on European football for financial stability, yet UEFA's Financial Fair Play Regulations are attempting to ensure a level playing field across Europe. The biggest impact so far appears to be that the position of those clubs currently in European competition, and whose increased revenues allow them to spend more, is safeguarded. The likelihood is that it will no longer be possible for smaller clubs to gamble on reaching European football through spending more than they can afford on player transfer fees and wages, as even if they qualify for Europe, the regulations will prevent them from entering.

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