
REFLECTIONS ON PROFITABILITY OF THE QUOTA SYSTEM IN SPANISH BASKETBALL

Submitting author: Dr Javier Gomez
University of Vigo,
Lugo, 27004
Spain

All authors: Javier Gomez (corresp), Angel Barajas

Type: Scientific

Category: 6: Sport Economics and Finance

Abstract

Since 2000, the authorities of the Spanish basketball have imposed “protect the Spanish player” and, otherwise, to avoid a massive arrival of players from United States and the countries included in Schengen or (a posteriori) Cotonou agreements. That system, known as “quota of Spanish formation players” forces every club to hire every season five or six players formed in Spain. The aim of this paper is to check whether the Spanish authorities (Federation and Professional League) and, even, the ABP (Union of Players), are causing an economic damage to the clubs by preventing their operations in a global and free market. Our work is focused in “Adecco LEB Oro”, the second division of the Spanish Basketball

To analyze this situation, first of all we need to review its historical and legal background, following the path opened by Primault (2006): the evolution of market in Spanish basketball (specially about foreign players) and the most recent changes in the laws defining the “status quo” of a player as “formation” or “non formation” players and the number of “non formation” players that every team is allowed to sign.

To measure the profitability of a player it’s necessary to evaluate his production. We use the methodology developed by Hollinger (2005) and, particularly, the PER (Player Efficiency Rating), that shows the overall rating of a player’s per-minute statistical production –with the necessary foresight pointed out by Berri and Bradbury (2010). Secondly, we have to relate production with money and, in a more specific way, the overall PER of the league and the overall expense of the teams. The economic information about the market and the teams has been collected by the author.

Obviously, the ideal situation for a club is that the cost of the players (salary, taxes payed by the team and other benefits) is the same or lower than their efficiency on the court. In other words, if a player gets a X percentage of the league’s PER, he will deserve the same percentage of the League income, although there are other factors intervening as has

been studied by Yang and Lin (2012). Our first methodological step, relating both categories, is to establish the profitability of every player in Spanish Second Division (seasons 12-13 and 13-14). In other words: if the teams have spent 5.7 millions Euros (12-13 season) and a player has collected 0,4 of league's PER, his value would be 42,840 € (0.74% out of 5.7 million i.e.). Established this value for every player, we proceed to group the players in three categories: "formation", "communitarian" and "non communitarian". Then we calculate the average of real spending (per group) and the estimated value following the statistical performance (per group too).

The results obtained for these two seasons show the lack of proficiency of the quota system. In a situation of revenues decreasing caused by the economic crisis in Spain, the clubs are required to hire "formation" players whose estimated average proficiency for the season 12-13 was -3,400 €. Because of this requirement, the expending in Bosman, Kolpak and Cotonou players has fallen from an average 48,000 euros to an average of 44,000 €; this fall has changed a profitable category of players (+5,080 €, season 12-13) in a less profitable one (+1,770 €, season 13-14), without improving significantly the proficiency of "formation" players (+30 euros, season 13-14). The case of the "non communitarian" players is quite different: they have even more obstacles (the cost of their licence multiplies twenty five times the cost of a "formation" license) and the signings are riskier and then have a variable profit (from +10,830 € in 12-13 season to +1,070 in 13-14).

These numbers open a discussion: is the structure of formation in Spanish basketball able to generate enough players to sustain a quality competition? And if not, should the authorities remove or relax the quota system? In the conclusions we discuss this topic and check the different options to change the situation and improve the league both in economics and quality of the competition.

References

Yang, Ch. and Lin, H. (2012), Is There Salary Discrimination by Nationality in the NBA?: Foreign Talent or Foreign Market, *Journal of Sports Economics*, 13 (1), pp. 53-75.

Berri, D. and Bradbury, J. (2010), Working in the Land of the Metricians, *Journal of Sports Economics*, 11 (1), pp. 29-47.

Primault, D. (2006). European profesional basketball in crisis: 1992-2002, in Wladimir Andreff and Stefan Szymanski (eds), *Handbook of the economics of sport*, Edward Elgar, Cheltenham (UK)-Northampton (USA).

Hollinger, J. (2005). *Pro Basketball forecast*, Potomac Books, Washington.