
STARING INTO THE ABYSS; THE STATE OF THE SUPER LEAGUE

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Abstract

THEORETICAL BACKGROUND

Professional team sports are linked to the concepts of uncertainty of outcome, competitive balance and profit and utility maximisation (Dobson and Goddard, 2011). Economists make reference to the differences between the North American and European model of professional team sports (Szymanski, 2003). While the European model is unique there appears to be a convergence on certain features (Andreff and Staudohar, 2000). Differences remain however which effect revenue generation and the ability for clubs to compete. American sports operate a draft system, share television revenue and compete exclusively in domestically structured leagues. In place of promotion and relegation, evident throughout the European model, changes in American leagues come from adding new franchises and relocating franchises to another city.

When the UK Rugby League Superleague was inaugurated in 1996, the plan was to take elements from both models of professional team sports. Essentially, Rugby League attempted to replicate English football's Premier League whilst maintaining some American team sport principles. Rugby League is, in global terms, a minority sport but has been modernised in recent times through the advent of pay TV and other global processes (Rowe, 1997). Indeed Rugby League in England has transformed since the emergence of BSkyB and is under heavy pressure to grow, despite a recent £90million broadcasting deal to support the Superleague. Traditional sources of finance in the sport have been difficult to secure and facilities needed upgrading, notwithstanding the fact that the game needed more widespread promotion. Key aspects of the deal to create the Superleague centred on a move for the game from a winter to summer sport, that a Superleague should be established and that clubs should be expanded to markets outside traditional catchment

areas. Finally some clubs were to merge to become 'Super Clubs'.

Rugby League finds that financial discipline is an essential element to grow the game both on and off the pitch. It is a measure which seeks to manage a salary cap, determine licences and extend the reach of the league into competitions which support the Super League system. Like many professional sports leagues, and almost 20 years since the advent of the Super League, clubs have been troubled off the pitch, most recently Bradford Bulls (three times), Salford and the London Broncos. It is perhaps time to ask how rugby league is doing in terms of its on- and off-pitch performance?

METHODOLOGY

Data for this research was obtained by dissecting the annual accounts of 10 clubs between 2006 and 2012. Analysis was performed using recognised industry techniques (See Wilson, Plumley and Ramchandani, 2013). Moreover, the Active People Survey was used to determine levels of participation and match day attendance data reviewed to determine the level of stadium utilisation.

RESULTS, DISCUSSION, IMPLICATIONS

Initial findings indicate that there is financial disparity amongst clubs which has widened over the period of the study. The total average debt for clubs was c.£4.7m against average revenues of c.£4.5m. However, these averages are somewhat inflated by certain clubs, particularly the revenue figures. The more successful clubs in recent years; Leeds Rhinos, Wigan Warriors, St. Helens and, Huddersfield Giants have all seen increases in revenue during the time period analysed with Leeds Rhinos and St. Helens having average revenues of £10.5m and £9.4m. These clubs own their own or share a stadium. Consequently their fixed assets value is higher and that they have better liquidity, pointing to a more manageable debt position. However, there are clubs where debt substantially exceeds revenues. London Broncos show average turnover of £1.8m against average debt of £7.2m. This debt has increased to £13.3m against revenue of £1.6m in the latest accounts. A similar situation exists at clubs such as Hull FC, Hull KR and Castleford Tigers who all have problems with debt and insufficient asset value to cover the debt.

This financial uncertainty is compounded by the data which indicate a sharp decline in participation in the sport and dwindling attendances at a number of SL Clubs. There is a significant gap between the high performers and the rest which points to a long-term management problem for the Superleague. Although this problem may be similar to other professional team sports, the ability of clubs in the Superleague to

pay their debts as they fall due points to a lack of capability to manage and eradicate the debt. The Superleague is staring at collapse.

References

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