Going down? Football finance in the global era

John Williams looks at the changing face of football finance and offers some hope to those who see themselves as genuine supporters of the game

Early in 2012 British football seemed to be in a position of considerable and possibly systemic crisis. On the face of it at least, this situation had little to do with 'football' matters. Instead, this crisis seemed to be much more deep-seated, consequential and debilitating, one rooted in catastrophic failings in the funding and maintenance of the economic infrastructure of the domestic game itself.

All told, five British clubs of varying sizes, but all of considerable historic importance – the symbolically and once magisterially powerful Glasgow Rangers in Scotland, and the English quartet of Portsmouth, Birmingham City, Coventry City and Port Vale – were collectively either facing administration because of spiralling debts which could no longer be guaranteed (in the case of Rangers, Portsmouth and Port Vale) or were embargoed in their financial activity because of accusations about the status of their foreign owners (Birmingham City and Coventry City). Two of these clubs, Port Vale and Portsmouth, could now boast two periods of administration in quick succession.

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Accumulated debts

A host of other British football clubs had, by this time, accumulated debts that were, by common consent, simply unsustainable in the longer (or even short) term. Indeed, since the BSkyB satellite TV-funded Premier League club breakaway in 1992, on an unprecedented 54 occasions, football clubs in England and Wales have been declared bankrupt and placed into administration. Almost all the clubs involved survived, revived largely by writing off their non-football debts and restarting their business with directors and fans in apparently determined concert that commercial mistakes made in the past and born out of miscalculation or sporting over-ambition would, of course, be avoided in the future. Predictably, this often turned out to be a triumph of hope over expectation.

Significantly, the impetus for applying potentially fatal pressure on financially failing football clubs has come increasingly from public rather than private sources. Previously, the UK tax authorities and also the banks typically resisted calling in football club debts, reasoning that such deficits were still mainly 'manageable' and that it was amateurish incompetence rather than absurd short-termism or conscious malpractice that had usually muddied (and worse) the finances of these still prized local 'community' assets. In short, no public organisation or local bank could hope to benefit, in the eyes of citizens or customers, by trying to close down a historic football club. But times have changed. Since 2009 alone Her Majesty's Revenue and Customs (HMRC) has issued 26 winding up petitions against Football League and one Premier League club.

The haves and the have-nots of the global era

In the new era of satellite television income, extended corporate hospitality, brand value and global merchandising it is now possible to see elite English clubs as potentially profit-making concerns – though few are actually profitable because rises in players' wages have largely kept pace with or even outstripped rises in club revenues. More importantly, an unbridgeable economic chasm has opened up between the Premier League and the Football League over the past two decades to the extent that a single annual game – the Championship play-off final - is now widely heralded as English football's £90 million fixture: roughly the gross value, over three years, of a one-off promotion to the top level. In line with these huge rewards, the game is strewn with near-broken clubs suffering the bends of relegation from the Premier League into the murky depths outside - and ensuing financial chaos.

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As TV income has ballooned for football's elite and infected previously manageable economic practices below – the last Sky TV-Premier League three-year deal agreed in 2009 was worth some

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£1.706 billion – so the financial gap between English football's top players and the rest of the domestic game has also continued to grow. According to the Professional Footballers' Association (PFA) figures, in 1992 average basic weekly earnings of players in the English top flight were £1,482, compared to £320 a week in the lowest professional tier. By 2009/2010 *average* top football wages in England had increased some 15-fold to £22,353 but lower-end wages had only just more than doubled, to a very moderate £747. Most professional footballers today still have more in common, economically, with skilled manual workers than with the football celebrities of the *OK* and *Hello* circuits.

Partly as a result of this new bifurcated economic order, British football club owners are no longer, typically, the patrician local industrialists and businessmen of yore, or members of paternalistic family dynasties with a carefully scripted duty of care towards local supporters. At the top end, local millionaires are being replaced by global multi-millionaires or even billionaires in the boardrooms. Increasingly, it is ambitious or bored heads of state, global capitalists or faceless corporate investors who hope for a return on investments in English football. Typically they invest in aspiring Football League clubs or else they expect rehabilitative global exposure or that new revenue streams will soon be unleashed to the elite as the English Premier League continues to spread its global influence and corporate power (Millward, 2011).

Fit and proper persons

As a result, oligarchs and despots have typically lined up with asset strippers and the legitimate long-term foreign investor, ready to dive headlong into the English game. The so-called 'fit-and-proper persons' test currently operated by the sport's authorities to vet foreign buyers ineffectively probes the intentions and longer-term credibility of prospective investors, so both fans and the game's administrators must largely take offers of external benevolence and commitment on trust. In straightened times who can afford to look a deregulated gift horse in the mouth? (Grant, 2007).

'Cooking the football books'

Against the background of this sort of lack of transparency and clarity, this new generation of football club owners seems happy to manipulate club finances in an obfuscating globalised context as the world economic downturn has hardened the attitudes of both lenders and regulators. In a market-driven scramble to buy saleable clubs and recruit global playing talent at 'competitive' rates, so club executives have explored a complex range of dubious or illicit methods of effectively cooking the football books. These have included leveraged club buyouts (such as at Manchester United under the Glazers, and at Liverpool under Hicks and Gillett) thus loading huge debt onto previously debt-free clubs; mortgaging future season ticket or television income; and/or avoiding paying tax on players' wages, for example by using employee benefit trusts to pay players, masking wages as image rights payments or using off-shore tax havens to manage player transactions.

Despite all this, most football supporters display a remarkably resilient and realist acceptance of the game's new commercial traits, while managing to hold on to their own effective, non-market understanding of their identities as fans. And when this tension becomes simply too great, some effective organised resistance to football's recent excessive commodification has resulted. The existing 'membership' models of spectator engagement and the democratic involvement of fans at some of the larger clubs in Spain and elsewhere in Europe – in Germany, foreign ownership is still largely resisted and clubs are run as members associations in which supporters hold 51 per cent of the shares – have not yet been replicated in England. Perhaps they never will.

Supporter involvement

But at many smaller English clubs, new patterns of involvement of supporters in running, or even owning, clubs, in the shape of government-backed Supporter Trusts, has produced a potentially progressive new dynamic, with a focus on local community input as an alternative to the conventional commercial football model. But even Supporter Trusts are not free from contradictions and the charge that they often end up being incorporated into the normative commercial activities of the club hierarchies they seek to replace (Kennedy and Kennedy, 2007). At a few larger, individual English football clubs, protesting supporters have had some success. The internet-orchestrated agitating and harassment and the public demonstrations co-ordinated by Liverpool fans in the Spirit of Shankly group undoubtedly contributed to ridding the club of the shackles of the Americans, Tom Hicks and George Gillett in 2010, though the global economic downturn did much of the crucial work (Williams and Hopkins, 2011). At Liverpool's neighbours and rivals, Manchester United, a 'resistance identity' as Manual Castells (2009) might describe it, has emerged among some fans in response to the ownership of the club by American (dis)investors, the Glazer family. An entirely new club, FC United of Manchester, was formed by fans as a protest against the alleged corporate destruction of football communities (Brown, 2007).

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The Union of European Football Associations' (UEFA) proposed new licensing regime aimed at producing 'financial fair play' by limiting the spending and debt of top European clubs offers perhaps the most viable prospect of a trans-national form of future football governance aimed against financial exploitation and recklessness. But will UEFA really eject its star television names from its elite competitions for alleged financial excesses? We wait, as they say, to be amazed. ■

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