Evaluating League Competitiveness in Europe: Public Involvement vs. Privatization in European Soccer

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With the recently signed broadcasting contract for 1.5 billion USD between the English Premier League (EPL) and SKY, soccer in England is not only flourishing as a sport but also as a business. Unlike the other professional soccer leagues across Europe, the EPL is largely comprised of privately owned and managed organizations and facilities. The aim of this research study is to better understand whether privately managed and operated leagues such as the EPL possess an advantage in creating more market opportunities and thus overall competitiveness over leagues which retain public involvement in respect to municipal governance, subsidies, and facility ownership. In order to inform public authorities and league commissioners in regards to the implications that private vs. public management models have on the competitiveness and overall profitability of professional sports leagues within Europe, a statistical analysis on league rankings attributable to country profiles and financial amenities is used to construct a narrative of four different country and league specific case studies. These case studies will help supplement our assessment of the future management of professional sports leagues. This research study holds a particular interest for team owners and municipal leaders in respect to whether municipalities should continue to partially subsidize their local professional sports teams and clubs and if yes, whether the future restructuring of leagues in specific European countries is warranted.

Literature/Theoretical Framing

Privatization is the sale of state-owned enterprise to the private sector devised to reduce the role of government as a dominant actor in the economy, thus favoring the emergence of an active private sector (Boubakri et al., 2009). Since the early 1980’s scholars have debated the advantages and disadvantages of privatizing public goods and utilities as well as the process of their deregulation (Kay & Thompson, 1986). It is arguable that privatization and deregulation improves efficiency and firm performance (Megginson & Netter, 2001), yet evidence demonstrates otherwise (Bakker, 2000; Graham & Marvin, 1994).

To better understand general trends of sport regulation across Europe it is important to acknowledge to what extent the state or municipality participates in the organization and business of professional sports leagues and particular sports teams. For example, is the function of professional sports leagues, teams, and team owners within the league to serve as private actors or to engage in affairs with state and municipal governments? By outlining the governance structures of the European professional sports leagues (whether privately or publicly owned and managed by member associations such as the European Commission or local municipalities) this determines whether these governance structures have an influence on both the financial and playing success of the leagues. In terms of financial profitability, revenue generation, and playing success, leagues and teams that are partially managed or funded by municipalities or member associations are less likely to be competitive with privately managed leagues and teams. Examples of countries and cities that invest in both sports as a semi-business venture as well as through public subsidies include France (Gouguet & Primault, 2006; Andreff, 2007), Israel (Galily et al., 2012) and Belgium. In these locales, teams are subsidized through the allocation of public funds towards stadium expenses, thus freeing capital for other uses (Dejonghe & Vandeweghe, 2006). However, under the pretext that public involvement should not create an advantage for one private entity over another, regulations within the European Union restrict state aid for professional sports (Davies, 2013). Yet exceptions exist, permitting public investment in facilities and land if they are attributable to general economic development projects (Craven, 2014). Public involvement is primarily evident in sports facility development as many stadiums around Europe have been built or are owned by the public sector despite the increases in private investment. In Italy, for example, a number of teams have chosen to leave publicly owned facilities, if long-term leases have not been negotiated, in favor of privately financed and constructed
stadiums (Palvarini & Tosi, 2013; Lago, 2006). These changes are similarly evident in Spain where teams contribute their own funds towards facility development along with the assistance of public financing (Durand & Bayle, 2002).

Method

Our research study maintains a mixed-method approach, supplementing a quantitative analysis of UEFA benchmarking reports alongside interviews with team representatives and CEOs. Beginning with an analysis of UEFA’s annual benchmark report across several seasons, the aim is to rank the member countries’ top leagues based on revenues, cash flows, aggregate profits/loss, wages, and revenues, which is followed with the ranking of member countries based on a GDP and population index. This provides a general perspective as to how countries compare amongst one another and how professional sports leagues in these countries are performing. In comparing these two rankings, evaluating whether leagues are in alignment with GDP and population ranking is possible. These rankings assist in informing three to four case studies determined by country, focusing on league characteristics, and more specifically the involvement of the public sector in both team fiscal management and team facilities. Finally, the intent of these case studies is to stimulate an in-depth analysis of the Israeli Premier League (IPL). Several clubs within the IPL are still subsidized by municipalities; revenues are controlled by the State through media and sponsorship contracts and the facilities are all owned and managed by the municipalities. The three or four chosen case studies advise the performance of the IPL and its future success as a sports business in Israel.

Initial Findings

Our initial findings are heavily based on interviews held with sports representatives from the private and public sector as well as from team owners within large and small markets in Israel. The public sector’s role is evident in all aspects of the Israeli professional sports industry. For instance, some teams continue to operate as nonprofit organizations. Furthermore, none of the sports facilities in Israel are owned or operated by the teams. A sponsorship deal between the league and the State controlled National Sports Betting Board pends the consent of the central government; this deal has been largely used to influence corporate decisions.

Conclusions

The sports business in Israel is still in its primacy, only recently distancing from its previous amateur status. As a small market in terms of professional sports leagues, this study intends to illustrate the advantages and disadvantages of public intervention in professional sports within Europe.

References


