

Football Governance

Written evidence submitted by the Fulham Supporters' Trust (FG 39)

The Fulham Supporters' Trust is the only democratic, campaigning organisation of supporters of Fulham FC. The Trust, which grew from the Back to the Cottage campaign, was set up in 2003 in response to proposals to move Fulham away from their Craven Cottage home and out of the London Borough of Hammersmith & Fulham. The Trust is affiliated to the Football Supporters' Federation (FSF) and Supporters' Direct (SD).

1. SUMMARY

- We believe that clubs should not be treated merely as UK corporations but in a manner that recognises the significant social and economic benefit they provide for local communities
- We believe that there is a chronic lack of governance in English football today, caused by the competing interests of the game's three governing bodies.
- We believe that the rampant commercialism and spiralling debt is ruining football and that financial order should be restored to the game as soon as possible
- We feel that the Trust-owned model offers fans' a real chance of controlling their clubs, rooting clubs in their local communities and making them financially sustainable
- We believe that government intervention is imperative and should take the form of establishing a single regulatory body for football, organised along the model adopted successfully in Germany. However, we recognise that there are some criticisms of the German model.

2. HOW TO TREAT CLUBS

2.1 We believe firmly that British clubs should be treated differently from other commercial companies. The decisions of many owners and governing bodies to recognise football clubs as businesses can be shown to have caused many of the financial, regulatory and cash flow problems that have threatened the existence of so many clubs in recent years.

2.2 We believe that any new arrangements in the regulation of football clubs should take into account the enormous social and economic impact of the clubs on their local communities. The Social and Community Value of Football report, commissioned by Supporters' Direct and published in June 2010, outlined the great importance of clubs to their local communities and how the results of their actions can be felt far away from the football pitch. We endorse the idea that clubs should recognise formally their social role and adopt it as one of their core purposes, investigate candidly if they are achieving this objective, and try to develop their relationships with fans, local authorities, residents and businesses on a continual basis.

2.3 The rampant commercialism and big spending of the modern game, encouraged by the largesse of the Premier League, places the social fabric and future of football in grave danger. Fans have had to become used to their clubs going into administration – and mere points penalties have not proved to be a sufficient deterrent to a succession of owners determined to ‘live the dream’. There are several high-profile examples of ill-fated gambles with money, designed to deliver success. Leeds United slipped alarmingly down the divisions after risking it all on qualifying for the Champions’ League and Portsmouth’s financial difficulties have been well documented over the past year. These two cases alone demonstrate that the Premier League’s self-governance model is in dire need of reform. Since the formation of the new top flight in 1992, 53 of the 72 Football League clubs have been declared insolvent – some more than once – and it has been left to the fans, lauded regularly as the lifeblood of the game but too often ignored by those at the top of the pyramid, to pick up the pieces.

2.4 Today, football fans largely reject the business rationale put forward by leading executives. The majority of English football’s leading clubs have been taken off the stock exchange, suggesting that flotation was flawed from the beginning. Unfortunately, the warning signs of the 2002 ITV Digital fiasco went unheeded by the Football League and lower-league clubs now face crippling battles to balance the books – witness the numerous skirmishes between teams further down the pyramid and HMRC. Treating clubs as just another company would disenfranchise the very people who keep them going and punish whole communities. We urge the Select Committee to examine the potential of broadening football’s outdated ownership structure to increase opportunities for supporter-ownership and supporter-representation. This could create a future where clubs would be able to celebrate their links with wider society by promoting democracy, entrenching links with the local community and providing much-needed stability in the boardroom.

3. GOVERNANCE

3.1 Most football fans would accept that there is a lack of governance at the top of English football. Introducing a Westminster Hall debate on football governance in September 2010, Steve Rotherham said: "There is a crisis of governance at the top end of the football industry". It is clear that the game’s current governance model is unworkable as the presence of three different bodies regulating the game makes genuine governance almost impossible. Once one body, like the Premier League, becomes autonomous from the others, they establish their own governance rules.

3.2 It will come as no surprise to members of the Select Committee to hear that we regard the Football Association (FA), the traditional guardian of the game, to be out of touch. Successive Sports Ministers have called into question the FA’s competency and the current Minister described football as "the worst governed sport in this country". Having failed consistently to reform the FA Council, many fans see the FA as unrepresentative of both the professional and amateur game, it having proved either unwilling or unable to intervene to curb modern football’s excesses.

3.3 Six years on from the Burns Report, which yet to be implemented fully, the FA does not have a wholly independent chairman and its weak internal structure leaves it powerless to take on the Premier League when the situation demands. The FA’s

ability to plan for the future of the game must also be called into question by the overblown redevelopment of Wembley Stadium, which has required a £200m subsidy since 2002, with £342m still to be paid. The cost of the new national stadium has meant that the FA has only been able to invest 2% of their income on football development and the development of the national football centre in Burton has stalled.

3.4 Since its formation, the Premier League has taken a disappointingly laissez-faire approach to governance. The top flight's self-governance model permits the owners or chairmen of the top twenty clubs to, in effect, legislate on themselves, which might explain why the Premier League has remained remarkably tight-lipped on a number of contentious issues, from the leveraged buy-outs of Manchester United and Liverpool, the spiralling of debt at the highest level and the moving of clubs from their historical homes. Whilst there was no happy ending for fans of Wimbledon, it was only due to a concerted campaign from supporters that Fulham returned to Craven Cottage. Perhaps the most egregious of Premier League and Football Association regulations came with the transfers to West Ham United of Javier Mascherano and Carlos Tevez in 2006-07 and the failure of both bodies to take appropriate action against the club involved undermined their credibility. Regrettably, the Premier League has also sought to water down UEFA's financial fair play policy as well as undermine the FA in internal wrangling.

3.5 Of the three organisations, the Football League does have a more impressive record on governance and engaging with the supporters, but there are still some serious failures amongst their recent record. Its determination to promote a widely derided and wholly unwelcome football franchise (namely Milton Keynes Dons) demonstrated their disregard for the community value of a football club and, despite their attempts to introduce tougher penalties for financial irregularities, some worrying cases (most notably Notts Conty and Munto Finance, as well as the ongoing uncertainty over who owns Leeds United) have come to light.

3.6 We also feel it is regrettable that neither the Professional Footballers' Association nor the League Managers' Association is represented adequately in the game's governance structure.

4. DEBT

4.1 It is indisputable that there is too much debt in football. If, as we asserted in answer to the Committee's first question, big spending is the only way for a club to achieve success on the pitch, fans should be prepared for it (and them) to be 'saddled' with the burden of debt in the years to come, be it corporate debt – amassed by a group of investors – or individual (or 'soft') debt, accumulated by a generous benefactor. Debt is the only giant that English football, in its much-heralded boom time, has failed to slay.

4.2 Having experienced years of television money, ever-rising ticket prices and big money takeovers, most clubs would have to be declared insolvent if it weren't for their owners. The activity of the top sides, in an annual competition for a Champions' League place to supplement their wealth, forces others to compete with them at ridiculous levels and at a worrying cost. Regardless of their own financial health, clubs continue to pay players too much money since they need to match the sums

being promised by their competitors. Richard Scudamore, the Premier League chief executive, has previously responded to questions about the ‘debt mountain’ by claiming that the debt was sustainable (as evidenced by the banks’ continued lending) and that the owners were managing them responsibly but this argument is extremely hollow.

4.3 A succession of Premier League clubs has the paid for their reckless spending. Portsmouth’s problems began when Sacha Gaydamak terminated his interest in the south coast club and the Icelandic banking crisis almost bought West Ham United to their knees. Hull City’s relegation from the top flight brought their financial worries into sharper focus and Liverpool had to disassociate themselves from their American owners in the high court. The presence of individuals like Thaksin Shinawatra in football – and some of his successors as Premier League chairman – shows that the ‘fit and proper persons’ test is not nearly as thorough as it should be and the Premier League’s actions on debt, namely introducing a ‘going concern’ assessment have not gone nearly far enough.

4.4 Whilst debt is not a new problem in English football – clubs have been going to the wall for decades (like AFC Newport and Aldershot) - the legacy of the modern problem could be with us for a while to come. The profligacy of the Premier League’s spending is not only passed down through the leagues – only recently have the League agreed a solidarity payment with the Conference – but onto the fans as well in the form of higher prices for tickets, refreshments and replica shirts. The concern is that the current debt culture places our national game in real danger and our current ownership models could lead to tangible community assets, such as stadiums as well as the clubs themselves, before lost to future generations.

5. SUPPORTERS’ TRUST MODEL

5.1 Our previous answers to the questions posed in the Select Committee’s terms of reference have all concentrated on the problems caused by the loss of community assets and how the game has crept away from the grasp of the ordinary fan. Supporters’ Trusts are the logical way to protect these community assets from further danger and, if applied more generally, to stop the game from endangering itself.

5.2 The model, first put together by Supporters’ Direct in 2000, sets fairly stringent conditions to which trusts’ should adhere. A Trust has democracy at its very core: not just in terms of its constitution, but in its day-to-day operation as well. This gives the fans a real say in the running of their Trust – either by standing for election or proposing and voting on policy. If the Trust is in control of the club, as fourteen British sides are, this places that control in the hands of the supporters, providing a real contrast with the shadowy ownership structure of some Premier League sides.

5.3 Another point of divergence from the current ownership model comes with the fact that Supporters’ Trusts must be not-for-profit and remain the property of their members. Given that many Trusts have either wrested control from, or campaigned against, asset-strippers or individuals seeking to ‘make a quick buck’ from their club, this much is self-evident. Yet, the crucial part of the Trust ownership-model, is that it provides the club with the stability that a commercial owner could not.

5.4 Trusts are also inclusive, by welcoming any supporter of the club who wishes to join, and affordable, by setting a low annual subscription rate. This encourages the longevity of the Trust and guards against organisations being run by cliques or becoming unrepresentative of the ordinary supporter. Whilst The Fulham Supporters' Trust cannot comment extensively on the success of the share-holding model, since our club is still being run by a private individual, the Trust model helped our members form an innovative, and ultimately, successful campaign to return to Craven Cottage in 2004.

5.5 Supporters' Direct's report on the social value of football identified explicit advantages available to clubs that are owned by their supporters. They include a greater sense of "engagement and inclusion" with fans and wider stakeholders, stronger (and more profound) integration with the community, more responsible governance, more successful relationships with local authorities and partnerships with local voluntary organisations. The unity of purpose provided by a Trust-run club also puts in place the right conditions for sensible and sustainable development, rather than the risky paths preferred by too many football owners at present.

5.6 The disappointment is that too many Trusts remain unable to even hold a shareholding at their clubs. We believe firmly that Trust involvement in football is the future, as schemes such as 'golden shares' and 'asset locks' – protecting clubs and grounds from future harm – provide a genuine incentive for careful guardianship of these valued institutions.

6. GOVERNMENT INTERVENTION

6.1 We believe that, due to the poor governance of a domestic game that is still riddled with money and credibility problems, government intervention in football is very much justified.

6.2 Our submission has already highlighted the problems of having three separate organisations regulating football. The decisive form of government intervention to rescue the game from its current period of uncertainty would be for the government to introduce a single, independent regulatory body for football, formed along the lines of the that employed by the Deutscher Fußball-Bund (German Football Association) for its clubs in the Bundesliga 1 and 2. This would break the impasse currently pitting the Premier League against the Football Association, and allow real reform to take place with the latter organisation.

6.3 Football could therefore be reshaped in the interest of the fans and the game's longevity, rather than the protection of the interests of the big clubs as it does at the moment. The new regulatory body should look at all aspects of the game, from the current rules governing ownership, to the financial aspect of football, with the aim of restoring responsibility to the game's finances. We urge the decision-makers to distance themselves from the aspirations of the European Clubs Association, which is pushing for more revenue-making opportunities, and to outlaw the staging of any domestic football overseas.

6.4 The German model is recognised by a number of prominent European football figures, including the current UEFA president Michel Platini, as being one that

English football would do well to follow. The evolution of the German model also shows that it has been flexible enough not to bar their clubs from being competitive in European football.

6.5 Until the late 1990s, all Bundesliga clubs were 100% owned by members - fans who pay to be part of the club. However, the clubs recognised the need to compete with their European rivals and that this might not have been the best way achieve this. So some, including Bayern Munich, spun off their professional football 'sections' into outside limited companies, separate from the parent club, in order to attract investment.

6.6 Under DfB rules, members of clubs in the two divisions of the Bundesliga must own 50% of the shares plus one extra vote of these spin-offs. This is the so-called '50+1 model', which makes it impossible for private investors to take over a club. This protects clubs from being bought up by rich outsiders and opening up the slippery slope to mismanagement. Bundesliga clubs are compelled to submit information about their budgets and expected expenditure, and to prove that they are financially stable in order to play in the league. Figures are checked throughout the season and fines can be issued or licenses revoked. The license system is already operational in European competition and there is no reason why it could be successful in England.

6.7 The new regulatory body should also ensure that fans are fully represented in the future direction of football. This should not prove too difficult since both of the leading national fans' organisations, Supporters' Direct and the Football Supporters' Federation, are both fully democratic. The inclusion of fans in the regulatory process could also facilitate action on fans' issues, such as safe standing, ticketing, crowd control, safety and the abuse of Section 27 and football banning orders.

7. LESSONS TO BE LEARNED FROM FOOTBALL GOVERNANCE

7.1 As we have stated in answer to the previous question, we believe that the German model of football governance is the one that could be applied most successfully to English football and would urge the Select Committee to give this serious consideration. We do, however, recognise that there have been criticisms of the German model, in terms of ticketing issues and European competitiveness.