

EU Conference on Licensing Systems for Club Competitions

Javed Khan Draft Presentation for 17 September 2009

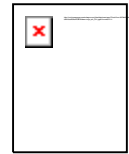
Introduction

Good afternoon ladies and gentlemen. I am grateful for the opportunity to speak to you today.

Whilst, I am sure that all of you in this room are familiar with the English Premier League, and that you would have no doubt had the opportunity to see our Clubs in action either live or on your television screens, you may not be aware of the Premier League's sporting and business model that has underpinned our development.

Core Values

Just like the European football governing body, UEFA, we firmly put 'Football First'. We also share with UEFA the fundamental belief that we must maximise the Revenues that are available to the game because ultimately commercial success contributes to the quality of football on the pitch in a 'virtuous circle' which may be explained as sporting excellence = commercial success = reinvestment in playing talent, youth development, stadium and training facilities = sporting excellence.



Primary Roles and Objectives

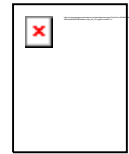
Unlike some other top professional Leagues in Europe, the Premier League is set up as a separate body working under the auspices of the English Football Association which is the governing body for football in England. The Premier League's primary role is to run the competition, administer its rules and to undertake the central commercial activities, which are primarily the marketing and selling of our collective broadcasting rights and some sponsorship and licensing deals.

Distinct Features

Our successful business model has contributed to extensive investment in infrastructure and playing talent which has in turn enhanced the quality of the football. However, with success comes responsibility – responsibility to our Clubs, yes, but also to fans, to other stakeholders including our own national association and the European and world representative football bodies.

We take these responsibilities seriously as evidenced by the provisions in our rule book regarding the equitable way in which our central revenues are shared, the significant proportion of our income that is provided for solidarity and good cause purposes, our continued high levels of investment in youth development and rules regarding integrity of the competition and financial probity and governance.

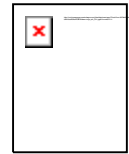
The central revenues are shared between the Clubs on the basis of a formula which ensures that the gap between the top and bottom Clubs is wide enough to recognise



achievement and yet close enough to maintain competitive balance. In fact, the ratio between the top and the bottom Clubs is 1 to 1.65 which means that the top Club gets just over one and a half times what the bottom Club gets. This comes as a big surprise to a lot of people In terms of solidarity and good causes, in 2008/09 over 14% of our income was paid out to lower League Clubs and to good causes. All our Clubs operate an approved Youth Development Programme to UEFA standards or beyond.

Governance and Integrity of Competition

We absolutely believe in free enterprise but also in regulating the affairs of our Clubs appropriately and proportionately, complementing national and corporate legislation and not to the detriment of sporting excellence. And therefore, within an already tightly regulated environment, we have overlaid existing corporate and insolvency law with our own rules to ensure better governance, accountability and transparency. For instance, we have **sporting sanctions** that can be invoked should the financial affairs of a Club have been mismanaged resulting in an insolvency event, we have rules enabling the League to settle any **overdue Club debts** to other Clubs including non-Premier League Clubs and we operate a **Fit and Proper Person Test** for company directors and shareholders that goes above and beyond UK Company Law. We also have a requirement for Clubs to disclose to us **material payments**



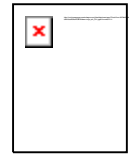
made to all players and managers which process is itself subject to an independent audit.

Since the introduction of UEFA licensing for European Club competitions we have **implemented licensing rules** for European competitions and more recently we introduced the same **financial criteria** to our own competition rules.

Role of Licensing and further development

This brings me to the central theme of this presentation which is the role of licensing as a key instrument for Club financial discipline and to the extent that this should be developed.

I was fortunate enough to have been involved with the introduction of Club licensing from day one having been part of the original working group set up by UEFA almost ten years ago to look at this important measure. The Premier League has always been supportive of the concept behind licensing although it took a lot of thinking and detailed work by everyone to ensure that the financial criteria is targeted and measured and takes its rightful place within the overall structure of professional football without suffocating the inward investment and free enterprise approach to top level professional football. To the extent that UEFA licensing financial criteria has evolved to date, the Premier League has embraced its central tenets by incorporating this within our rule book for all Clubs effectively extending it to the domestic competition, suitably adapted for such use.

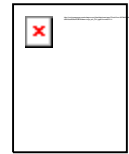


We therefore find the **Premier League fully aligned to current UEFA Licensing philosophy** but we have arrived at this juncture through actively canvassing the positive benefits of licensing in terms of financial stability and public accountability to our Clubs.

We also maintain that financial regulations must always be **proportionate and follow due consultation**. The most obvious downside to over regulation is the **impossibility of effective policing**.

Our own corporate structure places our Clubs in a central **self regulation** role requiring full participation by the Clubs in the evolution of our governance rule book. It requires **buy in by consent** so that avoidance does not become its main consequence.

We are also mindful of the varied **landscape of European football**, taking in as it does significant social, economic and financial regulatory regimes. Therefore solutions founded on a 'one size fits all' principles will not work as part of a centralised European system of financial control. Neither will ill-conceived notions of governance that drive away some of the new money that is coming into the game, sometimes secured against benefactors' own assets. A blanket 'all **debt** is bad' approach just doesn't make commercial sense as different capital structures in all walks of corporate life are an integral part of the business model. Debt is not a bad thing if it is sustainable and is part of a long term strategy on financing particularly when invested in long term beneficial assets such as a stadium.

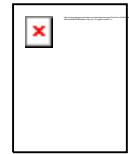


Linking **salary levels to turnover** will permanently hamstring smaller clubs and restrict their long term ambitions. Clubs with high wage bill to turnover ratios can often outperform their peers and provided that the overall finances are managed, this gives them the ability to ultimately break through their lower ranking.

And finally, whilst **regulating spending** in relation to income sounds plausible and desirable, it requires regulating **all income** to ensure that income itself does not become subject to deliberate distortions, which is more difficult.

Conclusion

The **benefits of good financial discipline** are obvious – an industry that thrives on commercial success and good financial management must be the ultimate aim. The global financial crisis has exacerbated the pain of short termism in financial management. To that extent we encourage seeking ways of ensuring that our **member Clubs are profitable as well as managing their cash flows** effectively. But we will not allow ourselves to believe in quick fix solutions that seek utopia overnight. Europe wide measures must also take into account the specificities of the constituent economies and regulatory regimes. We therefore urge all participants that **further development** of the financial criteria must follow **full consultation** and remain **proportionate and appropriate** to the objectives rather than regulating to the point of strangulating. Neither should there be a **quest for competitive balance** which works to the detriment of sporting excellence and **leads to mediocrity** as the standard achievable by all. Excellence must remain exactly that albeit with



appropriate safeguards. The disparity between haves and have nots, whilst unwelcome, can still generate keen competition even between unequals, but to drive away capital and business talent will leave the whole sport poorer.

Thank you for your time and the opportunity to express the Premier League's view on this vitally important topic.

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JK 10 September 2009