

LICENSING SYSTEM

Let me start my intervention thanking the European Commission for the invitation to take part in this Conference and secondly making the introduction of the company I represent.

1. Euroleague Basketball is a professional league created in the year 2000, as a consequence of the Joint venture contract subscribed for the most important clubs of European professional basketball and for the three most important national leagues in Europe.

In the year 2005, the clubs and leagues decided to create a capital society, in which they were the shareholders, called ECA, that manages the competition and the commercial rights through two subsidiary societies.

From the year 2004 onwards, FIBA and EUROLEAGUE signed an agreement in which the International Federation officially recognised the status quo, that the two top European clubs competitions were going to be managed by Euroleague.

2. Euroleague is favourable to the licence systems as the creation of our league was created in base to this system.

As many concepts have been already mentioned, and as there are no great differences among them, I have to admit that it does not differs either. For this reason, I will try to comment some of the aspects that in my opinion are more relevant, and specifically I will refer to the following:

- A) Benefits of the system
- B) Characteristic elements of European Basketball
- C) The Euroleague experience
- D) Challenges

I. BENEFITS OF THE SYSTEM

1. The licensing system does not contradict the sports spirit.

This is obvious for everybody but in reality this is not so. Every time that the managers of a competition need to take a decision of not registering a club that has reached its sports objectives but does not fulfilled the economic requirements that the rules demand in order to give a licence, we face a very negative reaction, not only from the club but also from the fans, which is predictable, and the environment, I mean, the media, national organisations and unfortunately, in some cases, even from politicians.

Therefore we should demand ourselves to make pedagogy of the system, pedagogy to explain the following:

- a) The health of the system requires this type of decision**
- b) The sports merit is accompanied by requirements that demonstrate that success is not the result of chance and that it has the possibility of being consolidated, since it is based upon the result of applying policies and strategies aimed at success. Therefore, we can reasonably think that it can last if the management model is not abandoned**
- c) The system makes it possible to include quality parameters and improve the competition and the services to users**
- d) The licensing system can and must be open in Europe, because of the tradition of the European sports model.**

2. The licensing system is aspirational and motivating. Therefore, we must wait for its result to be a general improvement of the competition at all levels: teams on the top, because they must keep their place, and teams on the bottom, because they must be promoted.

3. The licensing system allows for planning:

- a) There is certainty regarding the road to follow, and the parameters to be fulfilled at the highest level are known. The club can assess if it is in a position to fulfil them. If so, it can develop a medium and long term strategy in order to achieve the progress that it is seeking.**
- b) Great competitions/great services to fans necessarily entail investments, particularly in infrastructures, equipment, players, etc. And these investments require clear rules and time.**

4. The system permits common policies aimed at giving guarantees to the participants and third parties.

- a) A competition without economic guarantees is a chaos. The individual mistake drags the credibility of the system. The active individuals (players, coaches, referees, etc.) aspire to have a system with the economic strength and enough**

guarantees so that the commitments could be honoured and fulfilled.

b) Additionally, the system will make it possible to establish common policies that can give stability to the competition and maintain the competitiveness of the teams, thus avoiding great differences and obtaining a better competition. The SALARY CUP for example, that has been mentioned here. It was said yesterday by the representative of the football players, that these subjects had to be seen from all points of view. I agree with this, but at the same time the salary cup has different points of view. A salary cup sophisticated enough and well regulated is not a salary mass cut, it is not that some, or very few players, have a salary more in agreement with the market, but above all it is a system that permits to guarantee the majority of the players with a fair and decent salary, and a stable future.

5. The product is the competition. The consumers are the public. It is our must to have more QUALITY to have A BETTER COMPETITION and a BETTER PRODUCT, and MORE SATISFIED FANS/CONSUMERS.

II. BASKETBALL IN EUROPE. THE SECOND TEAM SPORT.

Basketball is the second team sport taking into account the global European data of: public, audiences, salaries and global budgets.

Nevertheless, it has some characteristics that in some cases can become challenging as for example:

- 1. A non-homogeneous territorial distribution, focused in the south and east of Europe**
- 2. Difficult presence in some potent markets. Strong presence in countries that start to be incorporated to a more transparent economic and accounting culture.**
- 3. Young leagues/professional competitions with little tradition. Nowadays there are no more than 13.**

4. The internal monopoly/duopoly of the clubs in many national competitions, that lose competitiveness.

5. Consequences:

a) no direct participation from all countries in the European Competitions, as happens in football.

b) The creation of Euroleague Basketball in the year 2000 with the following objectives

- A major boost for the concept of EUROPEAN COMPETITION.**
- Create a professional league with professional criteria managed by the clubs.**
- Be the engine for the development of the secondary competitions**

III. EUROLEAGUE BASKETBALL LICENSING SYSTEM

1. Types of licence depending on its duration

- A Licences: three years**
 - i. Necessary stability for the clubs that deserve it, lead and identify the group of the excellence.**
 - ii. Necessary stability for the league, as it cannot make a project of improvement of the clubs and the competition if every season it starts from zero because half of the teams are changed. As well as the national competitions in which the group is identified because as a maximum there are two teams that relegate and others replace them, the league can work at a medium term with a reference group and establish common policies.**

- B and C Licences: one year**

2. Requirements

- a) **Sports results based on a ranking of European and national competitions, based on objective and dynamic criteria in such a way that more countries can be incorporated if their sports results are improved**
- b) **Territorial area**
 - i) **Area of influence Hab/ km²**
 - ii) **To protect the viability of the club**
- c) **Facilities**
 - i) **Depending on the duration of the licence**
 - ii) **Give a better service to fans and partners**
 - iii) **In general, apart from many other criteria, the difference is that those clubs with A licence need to have an arena with 10.000 capacity seats while the rest is enough with 5.000.**
- d) **Infrastructures**
 - i) **Hotels, airports, etc..**
- e) **Property of the club**
 - i) **no conflict of interests**
- f) **Economic and financial requirements: similar to the ones commented and addressed to:**
 - i) **Strengthen the guarantees of the system**
 - ii) **Supervision and economic control, focused basically on:**
 - 1. **Fulfilment of commitments**
 - 2. **Write-off**
 - iii) **Control procedure, previous and posterior**
 - iv) **Common accounting rules**
 - v) **Control of the income and expense contracts**
- g) **Management: positions to be covered in order to have the development of the club structure**

3. Renewal of licences and anticipated cancellation

a) Renewal subject to the fulfilment of sports results

b) Anticipated cancellation

- **sports results: poor results in the European and/or national league**
- **Economic criteria**
- **Non fulfilment of the common policies: not fulfil the ticket sales expectations, for example**

c) Replacement based on sports and dynamic criteria, for the teams and for the countries, in order to, once more increase the number of participating countries

IV. CHALLENGES

1. Need of a major activity at a level of national leagues (today only the more organised have a licence system) and at an international one, which have been coordinated based on the principle of:

- **Subsidiarity/ no duplicity**
- **Reliable homologation**

2. Consistency for the clubs and for the organisers in the implementation of the rules about the licences adopting coherent decisions. The role of the national leagues must be cooperative, not protective with the individual interests at a short term.

3. Non-homogeneity of the markets

The non-homogeneity of the legislations in and outside the European Union, especially in matters of tax regulation and accounting, contrary to what was said on the previous day is not a marginal issue. Tax regulation is an essential problem in a licence system, due to the fact that it determines the price of the same player in different markets, and in the end it questions the system in its totality and produces the perverse effect in which those organised and professional countries are the less competitive compared to others that are not so rigorous in the system we think is the best.

V. CONCLUSION

Euroleague will keep on betting, getting in depth and working with the clubs and the national leagues, looking for specific and imaginative solutions whenever possible, always based on the coherence of the group and the consensus of the decisions.

Thank you very much for your attention.

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