

Football Governance Bill

Premier League Written Evidence

Introduction

This paper summarises the Premier League's position on the Football Governance Bill, including the provisions we believe will be of benefit to the whole game. It also highlights the potential unintended consequences we can foresee, proposing solutions to ensure the Bill can deliver greater financial sustainability and a stronger voice for fans, without damaging English football's unique strengths.

It provides the Premier League's perspective on what has made English football so successful, with analysis of the comparative advantages our game has developed. These include delivering the most competitive and compelling football, an egalitarian, club-led approach, a high investment and aspirational model, and the sharing of success to support the whole of the football pyramid.

We seek to provide a sober and realistic economic assessment of the financial health and overall position of the English game, one that acknowledges specific problems within football, but also takes account of our game's strengths, is cognisant of how economic value is created (and reduced) and recognises the need to protect the ingredients that have delivered an ecosystem that has become the envy of world football.

The paper then turns to specific arguments that have been made before the Committee, including on the financial position of the English game, the role of financial distributions, the issue of Parachute Payments and the formulation of the Backstop Powers.

Executive Summary

The Premier League supports the objectives of the Football Governance Bill and the desire amongst all stakeholders to ensure the continued success of the English football pyramid for the benefit of fans and communities all over the country.

Our view is that the primary purpose of the new Independent Football Regulator (IFR) should be focused on financial sustainability and fan engagement, as set out in the Bill. Our position remains that light-touch, proportionate legislation can be made to work, and it is our intention to play our full part in making it work. Our suggestions seek to improve the proposed regulatory model to ensure that it can be effective and efficient in practice.

The Premier League agrees with the Government that the IFR should never become involved in regulating the competitive balance of the game. It is essential that football retains the ability to shape its own competitive future. We do not intend to abdicate our responsibility for helping to lead this industry, working to ensure the world's most-watched league has an even more successful future, and continuing to support the development of the best-funded and deepest pyramid in the world.

Football in this country is growing and has strong foundations. The Premier League is the most watched competition in the world with over 900 million viewers, generates economic growth all over the country, and is one of Britain's leading global brands and soft power assets.

EFL and National League competitions are increasingly exciting and remain highly competitive. The EFL has just secured its largest ever domestic broadcasting deal valued at almost £1 billion over five years, cementing the Championship's status as the sixth best-funded league in Europe. EFL League One, the English third tier, consistently sees higher attendances than at La Liga and

Bundesliga matches. Even EFL League Two, as the fourth tier, is among the top ten best attended leagues in Europe.

The success of the Premier League has been shared on a voluntary basis by its Clubs, delivering the largest investment in the football pyramid across the world. A total of £1.6 billion will be shared over the current broadcast cycle, supporting EFL and National League clubs, Parachute Payments and working with the Premier League Charitable Foundation, The FA and Football Foundation to make record investments in grassroots football and the women's game.

We welcome the fact that so many individual members of this Committee, as well as the Prime Minister and Leader of the Opposition, have been so explicit about protecting the Premier League from damage through this reform process.

As Parliamentarians know, all regulation comes with unintended consequences. The Government's own White Paper on Smarter Regulation, published last week, said, *"there is strong evidence that points to our regulatory culture acting as a drag on our ability to generate economic activity, innovation and to attract investment...over many decades, regulations and regulators have been introduced in a disjointed and burdensome way, constraining the innovative and entrepreneurial businesses that underpin our economy."*

We are therefore obliged to raise concerns about aspects of the Bill that we believe may cause inadvertent damage, as well as to propose workable solutions. As we do so, our priority is to ensure the development of a proportionate regulatory model, to deliver maximum long-term certainty for the industry, and to secure protections for the future growth and competitiveness of English football. For example, football clubs need stable and predictable environments to plan and execute their investment strategies with confidence. A three-year cycle for the IFR's State of the Game market reviews is far too short and will drive uncertainty and hold back capital investment, due to the prospect of frequent changes in the regulatory landscape.

We recognise that Parliament has been presented with a narrow perspective on English football by other stakeholders – one that warns of *"mass insolvency"*, *"catastrophic consequences"* and *"financial trauma"*. There has even been a prediction of *"as many as 30 clubs going to the wall"* if the Committee does not adopt proposals to amend the Backstop powers so that the IFR can intervene on mutually agreed commercial agreements more directly, more often.

Disappointingly, the Premier League has also been cast as seeking to *"coerce"* EFL clubs by offering them additional funding that would somehow *"prey on their short-term cash needs, while acting against their long-term financial and strategic interests"*.

These stakeholders argue for a more interventionist set of powers that would allow for a radical reorganisation of football finances, including a dramatic redistribution of wealth from the Premier League to the Championship, significant reductions in Parachute Payments, which are a vital tool to drive top-to-bottom competitiveness in the Premier League, and sweeping powers for the IFR to act following its State of the Game reviews. The claim is that this can be achieved without any cost at all to the Premier League's position in the game.

The argument is not based on credible evidence but instead takes a narrow and economically unsound perspective that prioritises how to gain access to and apportion more Premier League income, without consideration of how that income is generated. It focuses exclusively on dividing up others' revenues but takes no account of the costs and investment required to be successful in the Premier League.

Naturally, the costs would be significant. If taken to its logical conclusion, the implementation of these proposals would destabilise the football pyramid, damage English football's long-term growth and substantially reduce the world-leading amount of funding the Premier League could provide to the wider game.

Ultimately, the key question for Parliament is not necessarily which narrative is most realistic, but whether the IFR should be given the powers to so fundamentally recast the competition structures and competitive balance of English football. It is our contention that decisions like this must remain for football to determine alone. We understand that a number of EFL clubs are sympathetic to this viewpoint and have similar concerns about unintended consequences. However, this may be counter-balanced by their interpretation of how a future regulatory intervention on financial distributions may play out.

We strongly support the Government's position that the IFR's powers should be narrowly and precisely drawn. We believe that widening amendments to the most unprecedented aspects of the Bill, not least the Backstop Powers on financial distributions, must be considered extremely cautiously. The Backstop must never become a "Frontstop".

Above all, we agree that the IFR should not affect the carefully constructed competitive balance that is at the heart of our exciting competition, and therefore the appeal and value of the Premier League to fans and investors alike. That would be a counter-productive outcome that would diminish all of English football. As the Government's White Paper states, *"the Premier League is a global success, attracting more viewers and higher revenues than any of its international rivals. It is a force for good in promoting the UK abroad, and a product that should be protected."*

Section A – The Premier League position

The Premier League supports the objectives of the Football Governance Bill and the Fan-Led Review that preceded it, as well as the work of DCMS Ministers and officials in developing the White Paper and subsequent legislation.

We support the ambition in the Bill for a tight scope, an advocacy-first approach and a cooperative regime that works collaboratively with the competition authorities. We also welcome the strong regulatory principles enshrined in the legislation intended to deliver a proportionate regulatory model, the potential to augment the operation of football's Owners' and Directors' Tests with the backing of statutory investigative powers, the enshrinement of meaningful approaches to fan engagement and club heritage, and an aspirational approach to improving corporate governance that encourages high standards while preserving the appeal of football club ownership.

The Premier League has raised a number of concerns about the unintended consequences we can foresee in the Bill, as set out in our [reply to the CMS Select Committee](#), which highlighted [eight specific risks](#) and made ten suggestions for improvement of the Bill.

Proposals for improving the Bill

Our letter included a series of mitigating proposals that would require precise amendments to the Bill to reduce the risks above. They would not change the overall regulatory model and cannot eliminate the risk of overregulation or damage entirely but are intended to allow the IFR to work more effectively and efficiently within the unique football ecosystem.

We would encourage Committee Members and all Parliamentarians to consider improvements that would:

- **Provide maximum long-term certainty:** including by ensuring that there is a five-year cycle for the State of the Game report following its first review. A longer period is required to deliver a degree of long-term certainty and predictability so that clubs can continue to invest in capital projects with a reasonable investment time horizon. Three years is far too short. A five year cycles is also more reflective of broadcast cycles and will match to the five year period for agreements on financial distributions. The Bill must also maintain the five-year protection for mutually agreed commercial contracts on financial distributions, as part of the Backstop
- **Encourage a more effective regulatory approach:** allowing for intervention when outcomes are at risk, working with the Leagues effectively, including by consulting them early when issues arise - and taking in to account the competition rulebooks and the need to avoid duplication and burden for clubs
- **Enable targeted regulatory interventions:** rather than adopting a risk-averse one size fits all approach by imposing bespoke discretionary licence conditions on all clubs and significantly impacting on competition, the IFR should take a risk-based, highly targeted approach working with the leagues
- **Deliver a Backstop, not a Frontstop:** keeping the backstop tightly focused on solidarity funding, not encroaching on competitive levers such as Parachute Payments. The Backstop Powers should be narrowly and precisely drawn, and reduce incentives for any league to seek to trigger the Backstop as a matter of course
- **Strengthen the independence of the Regulator:** removing measures that may enable future political interference, and therefore reducing the likelihood intervention by UEFA or FIFA

Section B - The Premier League model

A uniquely successful model

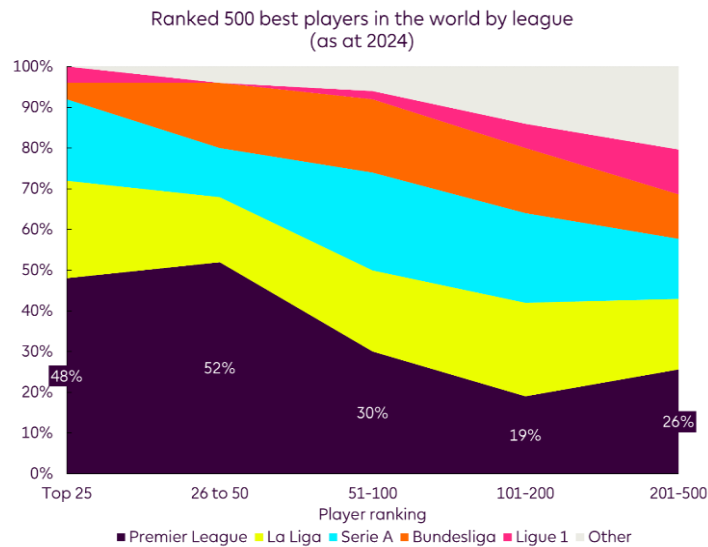
The Premier League is built upon the rich history and traditions of the English game, and the unique meritocracy and sporting jeopardy that is intrinsic to our pyramidal system and followed passionately by millions of fans. Respecting that history and tradition, with fans and communities at the core of our success, is a responsibility that the Premier League takes very seriously.

Building on this heritage, Premier League Clubs have collectively developed a world-leading model, including the following key ingredients.

1. Competitive and compelling football with the highest quality players, intensely competitive matches between all Clubs, packed stadia home and away, brilliant atmospheres, an excellent match day experience in the stadium and broadcast, and a welcoming and safe environment for all.

The Premier League seeks to cultivate a world-leading and highly competitive football competition, where revenues are sufficiently evenly distributed to allow the outcome of every match, match round and season to be uncertain. We want to support the maximum number of Clubs possible to aspire to European qualification and to be competitive if they succeed in qualifying.

Fig. 1: Ranked 500 best players in the world by league (Twenty First Group 'Player Contribution Model' April 2024)



To build a league where there is such fierce competition and a high proportion of the world's best players requires sustained investment by Clubs, building squads, coaching teams, a youth system, infrastructure and culture over a multi-year period.

That includes significant transfer investment. It necessitates world-class player development, including a specific focus on England-qualified talent that is helping to produce highly competitive England teams at all levels. And it means significant investment in high quality stadiums, training facilities and other infrastructure.

When football stakeholders assert that, because the Premier League has high revenues, it can easily facilitate a huge additional transfer of funding to the lower leagues with no consequences for its world-leading status, it fails to consider what drives that status and the value that flows to the wider pyramid as a result. It does not take account of the fact that a world-leading model requires significant investment and revenue to sustain itself and be successful.

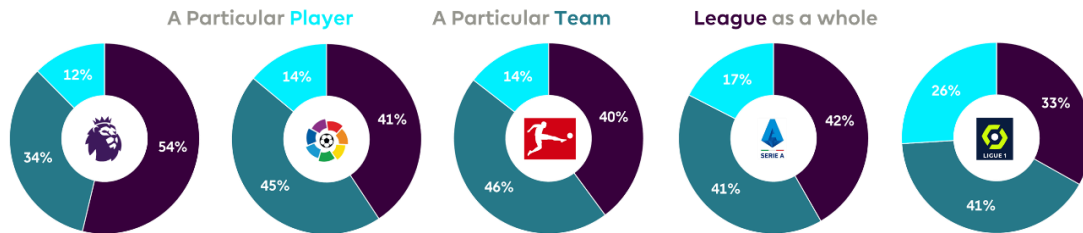
2. An egalitarian, competitive model

Genuine top-to-bottom competitiveness is critical to the value and continued growth of the Premier League. It is recognised as a driving force behind the League's relative success compared to other major competition, and is fundamental to its appeal to fans all over the world. As a result, competitiveness sits at the heart of the enterprise value of every current and future Premier League Club.

A majority (54%) of the Premier League's global fans follow for the competition itself, rather than a club or individual player, which is much higher than for any major European League.

This competitiveness is also critical to broadcasters, who believe it is imperative that a football competition is consistently exciting and entertaining. Broadcasters most frequently name the competitiveness of the league the presence of world-class players and managers, and the quality of the football as important factors when deciding where to invest.

Fig 2: Most important driver of interest across top five European Leagues – strength of overall Premier League appeal vs other major leagues (Nielsen Sports – Premier League Global Fanbase Report 2023)



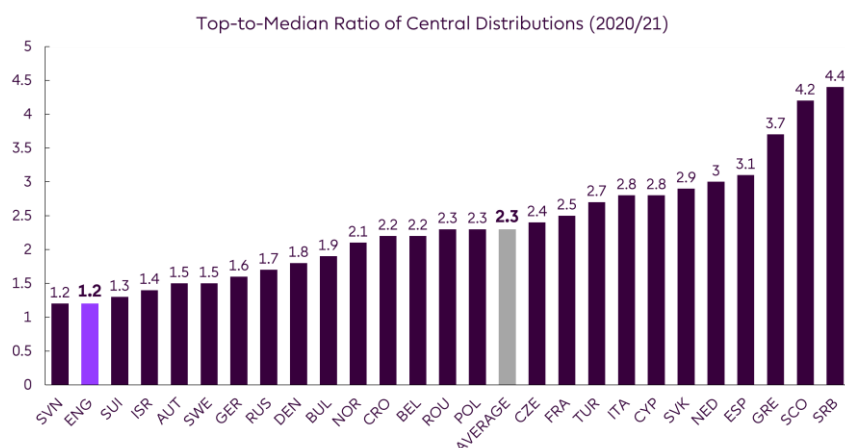
"Today...the English Premier League seems to be under attack... the Premier League has been demonised and labelled a Super League in its own right that needs to be toppled. However, the Premier League's success was not achieved by accident. By adopting an audacious approach based on a vision, a strategy and a lot of hard work, its leaders and clubs developed a remarkable model founded on sporting merit and a highly egalitarian distribution of wealth. Rather than a model to be destroyed, this is a model that should be followed."

Aleksander Ceferin, UEFA President, April 2023

This compelling and unpredictable competition means the Premier League currently reaches 900 million people across 189 countries and is able to generate record amounts of broadcast revenue. That interest and competitiveness is therefore what drives our economic value and allows for the sharing of our success at such world-leading levels.

Competitive balance is delivered through the most egalitarian distribution of central revenues of any major football league, delivering competitive title races, fierce competition for European places, and genuine sporting jeopardy because of the ability of promoted clubs to arrive and immediately compete in the division. That is in contrast to many other major European leagues.

Fig 3: Distribution of central revenues: high to median club ratios (UEFA – The European Club Footballing Landscape Club Licensing Benchmark Report: Emerging from the pandemic)



Competitiveness is also encouraged by development of Rules by Clubs within the League, working as a membership organisation. It is essential that Clubs, acting as Shareholders and custodians of the League, retain the ability to shape its future, just as Clubs' decisions have helped create the

world's most-watched league and one of the UK's biggest assets on the world stage. We should want this highly successful industry to remain predominantly football-led, not to become regulator-led.

3. High investment and aspiration

The Premier League's success is based on a high investment model, where risk-taking and sporting jeopardy are encouraged within a managed and proportionate framework. This is central to Clubs' ability to aspire, compete internationally and domestically for talent, and produce world-class football operations.

Some in football point to an overreliance on owner funding, as well as an assertion that overall the football industry is "*technically insolvent*" because many clubs are periodically loss-making. In fact, Premier League Clubs and EFL clubs are more similar than have been portrayed, often investing ahead of revenue based on economic principles found in other capital-intensive industries. The Premier League and EFL clubs are both supported by wealthy owners who are prepared to invest in their clubs, particularly in the Championship where there are at least nine billionaire owners and many other extremely wealthy ownership groups.

Most football clubs would never describe themselves in such stark terms. Their expenditures are long-term investments into appreciating asset values. Football clubs operate with the mindset that building a successful team drives up their enterprise valuations and future revenue potential as an appreciating asset. Player spending and operational costs are seen as up-front capital expenditures expected to compound into far greater income streams in future years. This is why football clubs are willing to make financial outlays consistent with their long-term capital values, rather than yearly financial statements.

This is similar to other highly successful sectors of the UK economy. Experts do not describe the UK technology, pharmaceutical or automotive sectors as technically insolvent because they operate according to a high investment model, very often prioritising growth, R&D, market capture and expansion over short-to-medium term profitability.

To describe such industries as insolvent would be nonsensical. The same is true for football. Football clubs are typically owned by sensible entrepreneurs taking calculated decisions based on orthodox economic models and rational business cases. Most would agree that more can be done to deliver long-term sustainability and that it would be beneficial for clubs to begin to reduce any overreliance on owner equity injections. The majority of Premier League Clubs were profitable in the three years prior to COVID-19 and that resting state will ultimately be the long-term goal of all football clubs. However, taking a broader view, football clubs must be evaluated according to its businesses' long-term prospects, not through a simplistic profitability lens.

The vital features above, and many more, provide the platform that allows Premier League Clubs to deliver the unpredictable competition and thrilling football that fans around the world love, that broadcasters want to showcase and that contributes so much to the growth and productivity of the UK. In 2023, the Premier League generated £8.2 billion in GVA, over £4 billion in tax, and supported over 90,000 jobs. Most of our economic footprint, £5 billion of that GVA, is outside London. This growth and global appeal has also allowed for the cultivation of the deepest and best-funded pyramid in world football.

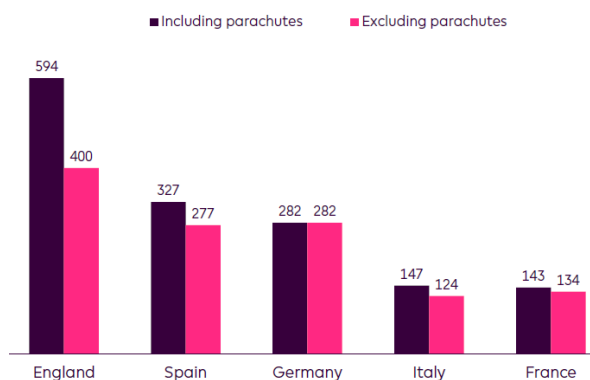
4. Sharing the Premier League's success

The Premier League and its Clubs have long recognised that we have a special responsibility to support the wider game, sharing our success at all levels of football. It is also directly in our Clubs' interests to ensure a vibrant and competitive football ecosystem.

A total of 51 clubs have so far been members of the Premier League since it was founded in 1992. We do not consider any club to be a permanent member of our competition, and our clubs collectively understand their responsibility to generously support the entire pyramid. That is one of the reasons why the English pyramid remains the deepest and best-funded football ecosystem in the world.

In the current broadcast cycle, the Premier League is voluntarily providing £1.6 billion of its revenues to the lower leagues and wider football, supporting hundreds of community clubs, new infrastructure and facility capital projects, grassroots football, youth development, community projects that reach millions, player pensions, fan representation and the women’s game. It is more funding than is provided by any other league or any other sport.

Fig. 4: Total estimated media revenues distributed outside of top tier (£m) (European Leagues, league accounts/reports, various)



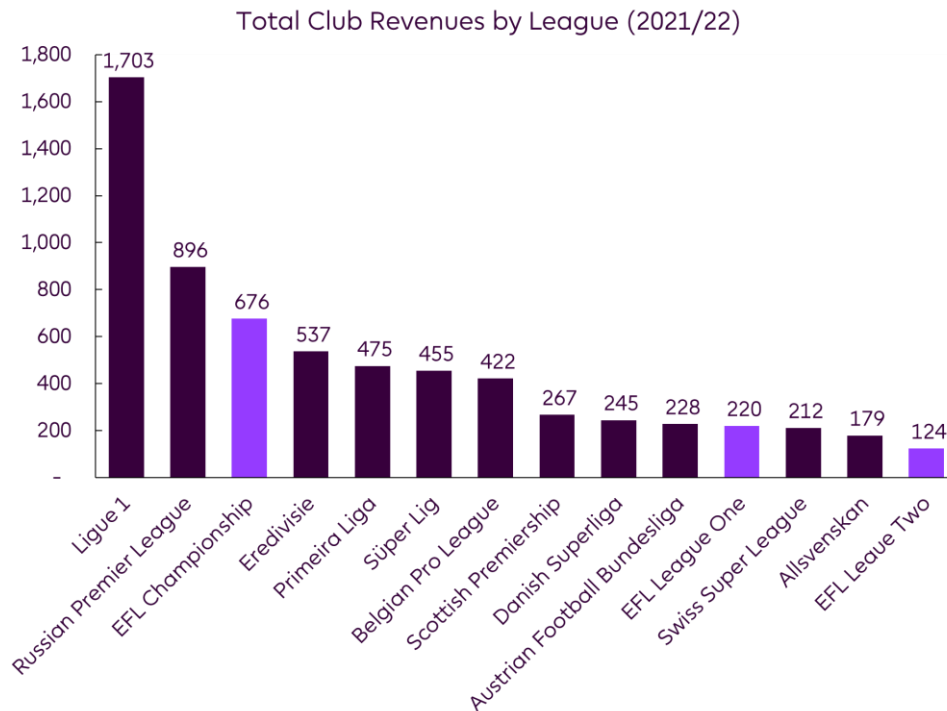
The data supports the proposition that English football is in strong overall health. The English second tier, the EFL Championship, is now one of the richest leagues in world football and the sixth best-funded in Europe overall. It has higher revenues than the first-tier leagues of major footballing nations such as Portugal, the Netherlands, Turkey, Belgium, Austria, Denmark, Switzerland and Scotland.

The English third tier, EFL League 1, is better-funded than most European nations’ first-tier competitions, ahead of nineteen European countries’ main leagues, including Poland, Norway and the Czech Republic.

This is a result of the fact that the EFL’s divisions are entertaining and highly competitive, which broadcasters are willing to pay a premium for and fans want to watch. The Premier League’s success also allows for substantial financial support for these competitions and the wider game.

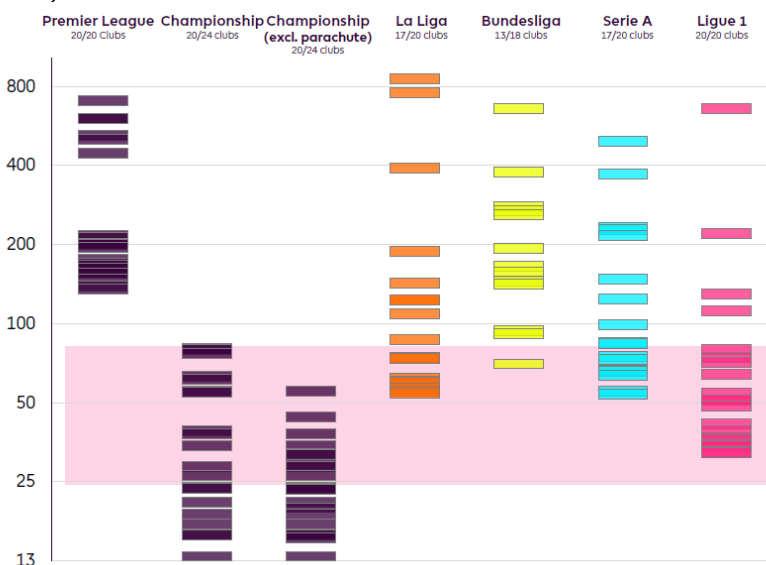
Additionally, the EFL has recently concluded a record domestic broadcast agreement of their own, totalling almost £1 billion over five years. That is excellent news for the English game.

Fig. 5: Total club revenues (£m) (UEFA - The European Club Finance and Investment Landscape and Deloitte Annual Review of Football Finance 2023)



Clubs at the top end of the Championship now have even higher revenues and spend more on wages than clubs towards the bottom of elite top tier leagues, including La Liga, Bundesliga, Ligue 1 and Serie A.

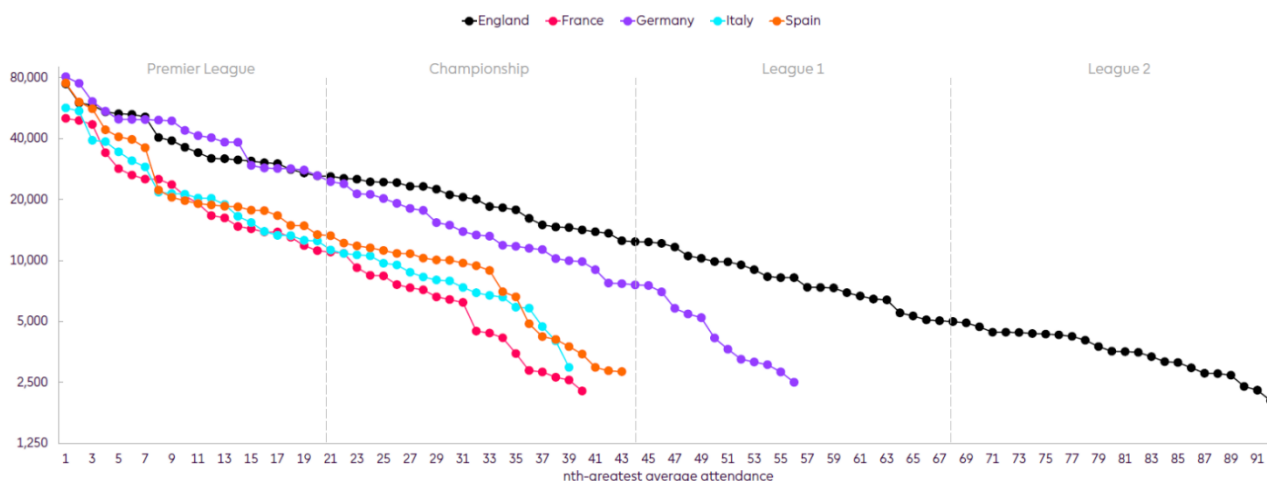
Fig. 6: Revenue per club (€m) 2018/19 (Deloitte Annual Review of Football Finance 2020 and league annual reports)



The English fourth-tier, EFL League Two, is among the top ten best attended leagues in Europe, demonstrating the remarkable depth and relative health of the English pyramid.

As further evidence of that depth, it is striking that many League One clubs in England, the third-tier, now even enjoy higher attendances than in, La Liga, Serie A or Ligue 1.

Fig. 7. Highest average attendances in major European leagues (Twenty First Group)



Section C - Key issues before Parliament

This section contains detailed analysis of the finances of football and outlines why it would be damaging to widen and deepen the IFR's powers so that it is in control of key levers of the competitive balance of football. This is not necessary for delivering financial sustainability and risks damage to the value of the Premier League, and its ability to invest in the wider pyramid.

1. The finances of football – a resilient foundation

Clubs that enter into administration, but find new ownership and continue to operate in the football league, should not be confused with clubs that are liquidated and lost to the football pyramid and local communities altogether.

There have been just seven such liquidations of football league clubs since 1945, and just three since the Premier League began 1992. That is a remarkably strong record of resilience and longevity, with the pyramid significantly more stable and consistent than the FTSE100 over that period.

The 92 clubs in England's top divisions have, like the rest of the economy, faced three unexpected and significant external shocks in the last three years: a global pandemic, the invasion of Ukraine and increasingly volatile financial conditions in the UK.

However, the limited impact of these events on financial failures in football, aided by economy-wide Government action and Premier League emergency solidarity funding and loan financing during COVID-19 (provided even while Premier League clubs lost £2 billion irretrievably in revenue), also underlines the resilience and sustainability of the English pyramid.

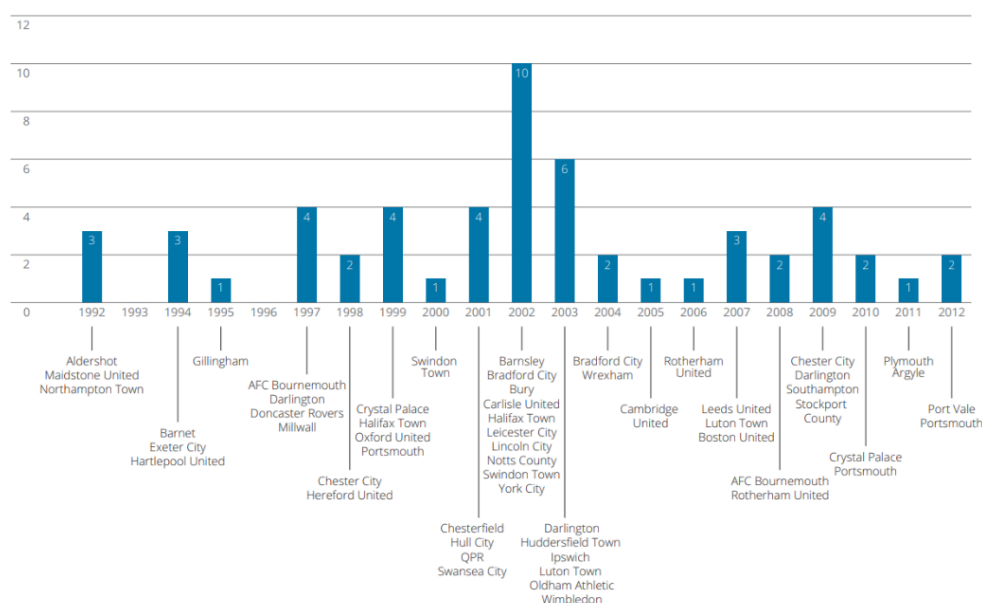
Nevertheless, there have been some painful examples of financial failure and poor governance within the football pyramid in recent years, and it is difficult for fans and local communities when

their much-loved football club's future is uncertain. It is an important objective of the Bill to ensure that through the licensing regime struggling clubs can be targeted and supported.

It is important to note that the data shows that these problems are not representative of the industry's overall success and stability. When considering how to address the challenges within the game, they need to be weighed against the great successes and strengths of English football. We believe the Bill needs to achieve a proportionate balance.

In the last decade, since financial rules were extended and strengthened, there have been just six club administrations, a substantial reduction compared to the failure rate of previous eras.

Fig 9: Club insolvencies, 1992 to 2012 (Deloitte Annual Review of Football Finance 2022)

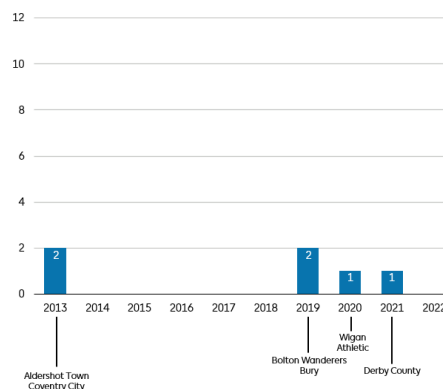


As can be seen above, between 1992 and 2021, by far the biggest spike in club insolvency events experienced in recent times came about as a result of the collapse of ITV Digital in 2002 and 2003, and then in the aftermath of the global financial crisis of 2008.

The chart above also shows that between 2007 and 2010 five of the clubs that were in administration, Luton Town, AC Bournemouth, Crystal Palace, Southampton and Leeds United, all successfully reset to such an extent that they subsequently achieved promotion to the Premier League.

In fact, the rate of financial failure has slowed markedly in the last decade, with just six club failures in that period. While administrations are difficult processes and cause uncertainty for fans, almost all clubs routinely find new ownership and continue to operate in the football pyramid.

Fig. 10: Club insolvencies continued, 2013 to 2022 (Deloitte)



While acknowledging that financial challenges and regulatory weaknesses have contributed to a small number of clubs getting into difficulties, our view is that the evidence does not in any way support the conclusion that the risk is systemic, existential, or increasing.

There have been warnings of the imminent financial collapse of the football pyramid for many years, none of which have come to pass. While there is always room for stronger measures to improve financial regulation, the system itself is self-evidently robust. There is simply no evidence to support the EFL assertion that 30 clubs may go into administration if the Backstop is not amended to become more interventionist.

2. Financial distributions

It should be made clear that despite repeated claims about the Premier League's refusal to redistribute funds, the Premier League already has an agreement with the EFL which delivers the best-funded pyramid in world football. The agreement rolls over indefinitely, is increasing in value, and has a minimum three-year notice period for either party.

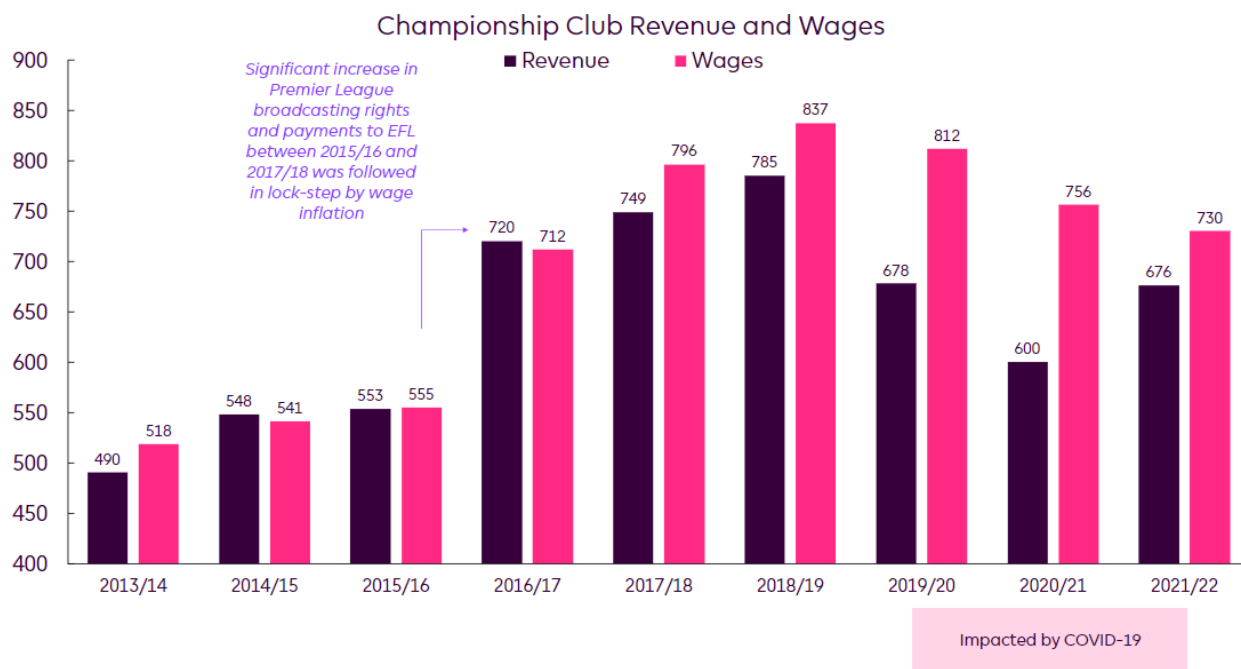
It is important to understand that there is no risk to the significant funding of the pyramid by the Premier League, and we believe our strong track record should be evidence of that.

The Premier League has directly supported lower league clubs in the EFL since 2007 as part of ensuring a thriving, competitive and dynamic pyramid. To date, we have always made these financial contributions voluntarily and by mutual agreement, supported by a legally binding contract to provide certainty. Agreements have always been made behind closed doors and with goodwill and good faith.

There has never been an occasion when the Premier League has failed to honour these agreements, even during COVID-19 when Premier League Clubs irretrievably lost £2 billion in revenue. Instead, we provided substantial additional support to the EFL and guaranteed that our clubs would not let any EFL club go out of business as a result of the pandemic, which not one did.

Our latest agreement with the EFL began in 2019 and amounted to a doubling of previous Premier League solidarity funding. However, both this substantial new funding, and the new settlement that came before it, tended to inflate wages in the Championship rather than drive clubs towards profitability.

Fig. 11: Championship revenue and wages (£m) (Deloitte Annual Review of Football Finance)



Discussions on a New Deal for football

The Premier League has been willing in principle to providing additional solidarity payments, so long as they were coupled with financial controls to ensure they drove sustainability and not more wage inflation. Having worked intensively on a systemic solution, we therefore secured a mandate from our Clubs to make detailed proposals for a ‘New Deal for Football’, including for a revised agreement with the EFL, in November 2022.

This would have allowed the EFL to permanently share in the Premier League’s growth, including from international broadcast revenues. The proposals would have increased levels of solidarity payments while, critically, bringing in new financial controls to prevent the additional funds driving further wage inflation.

During months of talks, the Premier League shared multiple proposals and Heads of Terms with the EFL Executive between April and September 2023, seeking an agreement in principle that would then be ratified by our Clubs, alongside a new funding mechanism for the substantial additional quantum.

We could not find agreement in a small number of important areas, including on the calibration of new financial controls. In January 2024, while these discussions in relation to financial controls were ongoing, the EFL Executive appeared before the DCMS Select Committee and put on record an intention to accept a positive financial offer from the Premier League, but to also trigger the Backstop once available to seek much more substantial restructuring and additional funding.

It would be hard for any business to sensibly agree a new, long-term settlement in those circumstances, especially given the overarching need for certainty and stability. Premier League Clubs chose therefore not to make a further set of proposals and a final, funded offer to the EFL

for the time being, instead prioritising the design and agreement of a new financial system, with a view to returning to the issue of financial distributions in due course.

The Premier League is extremely disappointed to have to defend against the assertion, in the EFL's written evidence, that we would seek to "coerce" EFL Clubs and "prey on their short-term cash needs, while acting against their long-term financial and strategic interests." On the contrary, we have worked in good faith and been proactive in designing positive proposals that would align our two organisations for the future and allow us to share in each other's commercial success.

We remain optimistic that a positive outcome can be achieved in the future. We believe it would be preferable to resolve the impasse by agreeing a football-led solution, rather than rely on a regulatory mechanism which is very unlikely to work well for football and will likely entrench permanent conflict within the ecosystem.

3. The Backstop powers

We have been concerned from the outset that the prospect of a Backstop Power might significantly impact on incentives and make a new deal within the football ecosystem harder to strike. This has been borne out consistently in conversations around a new settlement for financial distributions.

Dame Tracey Crouch: "The panel will appreciate that the UK has nuclear weapons and there is coding for what happens in the event of a catastrophic diplomatic failure. All that coding is well thought-through but the outcome is never 100% certain, and he who pulls the trigger is not always going to be the winner. Do you appreciate that part 6 of the Bill is the nuclear equivalent for football? Do you also appreciate that, really, part 6 should never be triggered, and the only way it will be triggered is if there continues to be a catastrophic failure, between the parties on the panel, to come to a deal?"

EFL Chairman: "We believe that, to make the Bill work, in the event that the....review highlights problems, the regulator should be able to institute the process. We do not think it is Armageddon. We do not think it is nuclear. We think it is logical."

Public Bill Committee, evidence session, 14 May 2024

While we have significant concerns about the Backstop Power and believe it has already driven the football authorities apart, we do recognise that the Government has sought to design a mechanism that, while unsatisfactory, is intended only to be used as a last resort. That is why it is tightly drafted both in terms of "relevant revenues", and the exclusion of Parachutes, which are a competitive mechanic that supports the Premier League's ability to deliver economic growth and solidarity funding for the whole of the pyramid.

To promote long-term certainty and stability, it is vital that the five-year period of protection for commercial agreements is not reduced further, and that football bodies retain the ability to mutually contract for a longer period if they wish to do so.

Clearly the Backstop, based on choosing between what will inevitably be two very divergent proposals, is a novel mechanism, perhaps without precedent in UK regulatory terms. It will be very important that its design can be shown to be able to achieve a proper weighing of the Premier League and its Clubs' property right and interests. In its current form, we have serious doubts that it is capable of doing so.

We believe Parliament should carefully consider the significance of changing what has to date been a voluntary arrangement based on goodwill and good faith, to what would effectively become a compulsory tax. The reality is this is likely to fundamentally alter the dynamics of how solidarity payments are made, how they are justified on sustainability grounds, how they are directed and what conditions are asked of clubs in receipt of them. That is unlikely to be a positive development.

4. Parachute Payments

We note that arguments have been advanced, and amendments tabled, to include Parachute Payments within the Backstop mechanism. We welcome the opportunity to provide our perspective on this issue.

Parachute Payments are a vital tool for driving competitiveness, allowing Clubs to reach the Premier League and have a chance of staying there on a financially sustainable basis. They are a recognised competitive mechanism used by leagues across Europe, including within the EFL system, where they are often more generous in proportional terms.

They provide Clubs with the confidence to invest on promotion to be able to compete and sign multi-year player contracts. They also enable a smoother transition for Clubs if they are relegated, and so have important, secondary, sustainability impacts.

“Whilst significant investment in players and infrastructure cannot ever guarantee sporting success, the relative comfort parachute payments provide to Premier League Clubs - especially those newly promoted - means owners are more willing to commit funds knowing that if the worst happens, and relegation occurs, clubs have support to adjust to a very different reality outside of the Premier League.

“A commitment to investment from owners is not only what fans and coaches expect and demand, it also helps the Premier League to attract the world’s best players and to remain competitive and compelling to watch which further enhances interest from broadcasters, sponsors and fans alike”.

Paul Barber, Brighton and Hove Albion, May 2024

With reduced or removed Parachutes, Clubs would either (i) not invest and therefore be uncompetitive within the Premier League, severely damaging the twenty-Club competition, or (ii) face sustainability challenges, with unmanageable transition costs upon relegation due to multi-year liabilities.

Of course, the heightened financial jeopardy, possibly existential for many Clubs, would not be created solely for newly-promoted Clubs. Every Club feasibly at risk of relegation from the Premier League, perhaps ten Clubs or more, would need to reduce on-pitch spending because of the new and significantly larger risks they would need to plan for. This would significantly reduce the competitiveness, and therefore the value, of the Premier League.

“Without parachutes, clubs would not be able to invest to be competitive in the Premier League, reducing the spectacle and over the time the income of the league. Many promoted clubs would not be able to risk this scenario, resulting in far fewer promoted clubs retaining Premier League status.

“Whilst built-in player wage cuts can absorb some of the cost in year one, it cannot absorb all the transfer payments and amortisation - meaning, as it is, clubs must make large player sales or inject capital.

“Relegated clubs are at the highest risk of insolvency over a four year period because they face the highest financial jeopardy. To remove parachute payments would undermine the chance of any promoted team to retain their status and bake in the status quo far more than retaining them.”

Steve Parish, Crystal Palace FC, May 2024

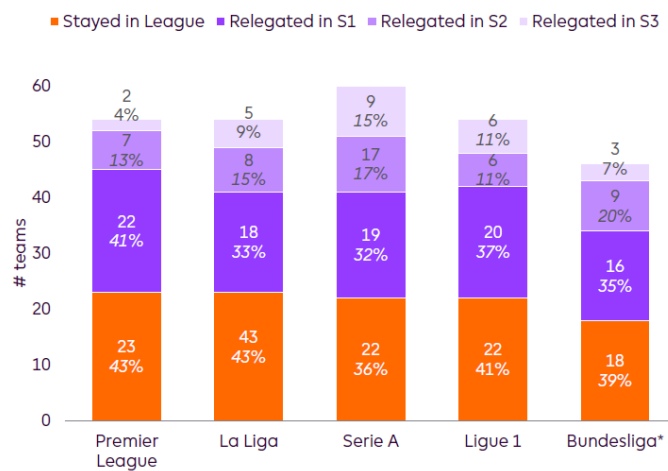
The evidence about Parachute Payments

While substantially reducing or abolishing Parachute Payments would distort competition in the Premier League and lead to a reduction in available revenues to be cascaded throughout the pyramid, the argument advanced by the EFL is that Parachutes distort competition in the Championship. However, evidence suggests that the Championship is a highly competitive and successful league.

There is, though, an argument made that Championship clubs may spend beyond their means in part to compete with recently relegated clubs in receipt of Parachute Payments. However, it is clear that, even without payments to relegated clubs, the rational business case for Championship clubs to invest over a multi-year period in the hope of achieving promotion to the Premier League, providing a significant return on that investment, would still be very strong. IFR will have powers to ensure that such investment is properly funded and sustainable. Meanwhile, Parachutes enable all clubs to sensibly manage the transition between the two divisions.

In fact, the long-term data shows that Premier League Clubs perform better on promotion, and worse on relegation, than clubs in the other major leagues in Europe.

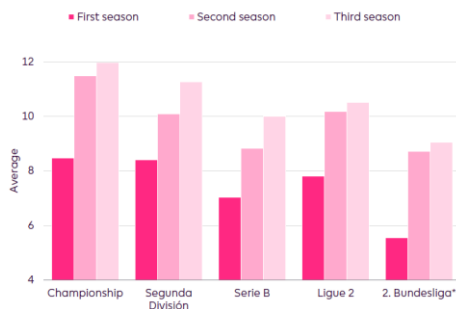
Fig 12: Outcomes for promoted Clubs over following three seasons in top five European leagues (2001/02 – 2018/19)



* Bundesliga and 2. Bundesliga each have 18 teams, all other leagues have 20 teams

Over a 20-year period, relegated clubs have finished on average eighth in their first season in the Championship, and twelfth the following season. On average over the last 20 years, the number of clubs promoted from the Championship in receipt of Parachutes is 0.85 per season, out of three clubs that achieve promotion every season.

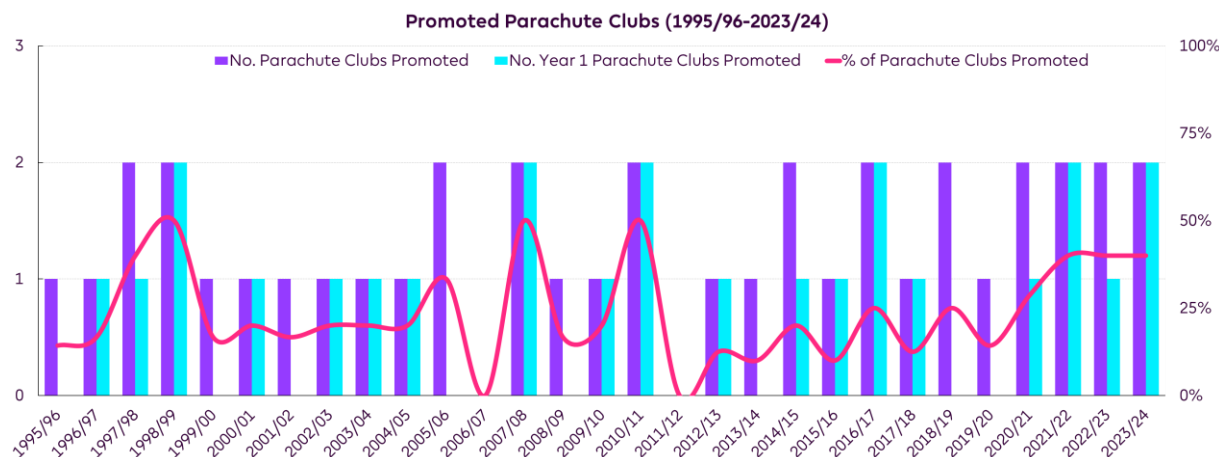
Fig. 13: Average finishing position in second divisions for relegated clubs



While one individual season can always throw up surprises, recent seasons do not suggest any substantial change in the long-term trend. Indeed, in Season 2022/23 all three promoted Clubs retained Premier League status and three heavily tenured Clubs were relegated (Leeds United, Southampton, and Leicester City, a Premier League Champion).

Over the long term, the chances of a Parachute club being re-promoted to the Premier League is 22%, or one in five per season. That seems to us to be very low, especially given the quality of football in the Premier League and the calibre of the squads that are relegated. It is, in reality, a testament to the competitiveness and vibrancy of the Championship.

Fig. 14: Promoted parachute clubs (1995/96 – 2023/24)



Six Clubs currently in the Premier League were promoted without being in receipt of Parachutes in the Championship, including Brighton & Hove Albion, Brentford, Crystal Palace and Luton Town. Next season, Ipswich Town will join the Premier League, having been newly promoted into the Championship the season prior.

It remains eminently possible for well-run, aspirational clubs to reach the Premier League. As Brighton & Hove Albion have demonstrated, the journey from the Championship to European qualification can be very short indeed.

Parachute Payments and the Backstop

The Backstop is centred around a binary choice mechanism, where the Expert Panel is asked only to choose either the Premier League’s proposal, or the EFL’s.

If payments to relegated clubs are enabled within the mechanism, given that the other proposal will be to eliminate them, or at least substantially reduce their quantum, this would risk a very significant, one-off hit to the competitiveness and investability of the Premier League. Avoiding such impacts are among the key objectives of the IFR.

The fact that Parachute Payments are principally a tool for regulating competitive balance is, we understand, the principal reason why the Government has deemed it correct and necessary to exclude them from the mechanism. It is not speculation to say that Parachutes in their current guise would be at risk if they were included in the Backstop, given that this is the consistent position of the EFL.

“Our model is basically to halve the gap between the bottom of the Premier League and the top of the Championship, so instead of being £88million it’s £44million. We abolish parachute payments to make the Championship competitive. The chances of getting this voted through the Premier League are approximately nil, so it needs independent intervention. Regulation – we’re very keen on.”

(EFL Chairman, remarks to an event hosted by Onward, November 2022)

Amending the Bill to include Parachute Payments in the mechanism would not allow the IFR to make a rounded assessment of their optimum level or calibration alongside solidarity funding.

Due to the binary nature of the mechanism, it would *only* allow the IFR to choose between keeping Parachutes (the Premier League’s proposal), or significantly reducing or abolishing them (the other proposal).

A key point to consider is that the Government’s exclusion of Parachutes from the mechanism does not, though, mean that the IFR could not consider proposals that would increase solidarity payments, as part of considering the value and impact of Parachute Payments and their equivalent in every league.

Enabling Parachutes to become part of the relevant revenues within the mechanism will also further legally and practically complicate these novel powers. Amendments that drive further divergence in a binary process risk a disproportionate impact on Premier League Clubs’ property rights, which are protected by the Human Rights Act. This is because the additional complexity and divergence will make it significantly harder for the Expert Panel to come to a decision that is capable of properly weighing the property rights and interests of the Premier League.

It is our clear view, therefore, that the IFR does not require a lever over Parachute Payments to deliver on its primary objectives, which are about advancing financial soundness and resilience only, not interfering in competitive balance. To enable such an unprecedented state intervention over a key competition lever would create UEFA and FIFA risk, which all parties will rightly want to avoid.

Conclusion

The Premier League’s arguments for light-touch, proportionate regulation and long-term certainty flow from a sober assessment of the health of the English football pyramid. We believe this paper provides a sound basis for making a reasoned judgment on the overall health of English football, and rationale for the solutions being proposed.

A realistic view of the landscape can encourage a proportionate policy response that achieves a balance between delivering greater financial sustainability and a football-led approach to

sharing revenues, while also protecting the exceptional advantages that English football has developed over recent years.

In our view, the narrative contained in the EFL written evidence does not present a credible case for an interventionist model of regulation that was never envisioned by the Fan-Led Review of Football Governance or the Government's White Paper. The claim that 30 clubs will go to the wall unless the EFL's demands are met is unsubstantiated and not credible.

If this reform process is exploited to enable an unprecedented redistribution of football finances, including risking the existence of key competitive levers like parachute payments to relegated clubs, it will threaten the Premier League's position as the most popular league in the world and its ability to share its future success.

We therefore do not believe the case has been made for a more interventionist regulatory model that would transfer key decisions for determining the competitive balance of English football to the IFR or put major determinants of competition at the mercy of a binary Backstop outcome. The Backstop is a process that the Chair of the Fan-Led Review believes is a nuclear option, never to be reached for. We agree.

While there are always challenges to navigate, the evidence demonstrates that football in our country is in good health. Ultimately, we believe the best way to keep it thriving is to enable greater financial sustainability, fan involvement and targeted regulatory oversight, while at the same time ensuring that the leagues and clubs, who have helped to put English football into such an advantageous position, remain empowered to lead the industry. The Premier League is determined to play our part in delivering a bright and even more successful future for every part of our game.

Premier League

May 2024