

THE EVOLUTION OF BELGIAN FOOTBALL OVER THE LAST DECADES

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“...an international player transfer system that promotes the free movement of soccer players, which would be in line with the EU integration philosophy, is a death penalty for many European and national leagues... When international quality differences increase, fans in countries with low-quality leagues are worse off, as their leagues becomes less attractive, while fans in high-quality leagues are better off as their leagues become more attractive. International competitions, however, become less exciting.” (Haan e.a., 2002: 3-4)

I. Background

A. General economic trends in domestic championships

1. Review of trends in domestic championship for the 1980-1997 period

a) The institutional framework of the Belgian FA

The Belgian competition started in 1894 and got organised in 1895 when the multisport association “Union Belge des Sociétés des Sports Athlétique (UBSSA)” was founded. In 1912 the football department became independent and changed its name into “Union Belge des Sociétés de Football Associations (UBSFA)”. One year later the organisation also adopted a Dutch name and it is now known as the “Koninklijke Belgische Voetbalbond (KBVB)” (Cohen,1996:130-131; Dejonghe,2001:241-242). In 1935 the KBVB introduced the first distinction based on economic criteria: amateur football and non-amateur football. In 1974 the Belgian football association did accept the creation of the “Prof Liga”, meaning Pro League, the clubs of the first division.

Since 1975 the Belgian first division (since 1995 Jupiler¹ League) contains 18 teams. At the end of the season two teams are relegated to the second division and replaced by the champion of the second division and the winner of a post-season competition between 4 clubs². In 2005/06 the system changed and only the number 18 of the first division will automatically be relegated. The number 17 and three teams of the second division will play for the other ticket in the Jupiler League³. The champions of the two third divisions promote to the second division and the number 16 of the second division has to play in a post-season competition with teams from the third division.

The reason why this chapter started with a short historical introduction is because of its importance on the FA's structure. Every change or adaptation that concerns the teams of the first division has to get approved by the institutions.

- The first step is an approval by a 2/3 majority of the members of the Prof Liga (means 12 out of 18 votes)

- A second step is an approval by the majority in the “executive committee”. The executive committee is composed out of 23 members (see table 1) and sends the proposals to an informal “National Study Commission”. The relative strength of the different “structures” in that commission is a copy of the ones in the General Meeting (table 2). The “National Study Commission” is a kind of deliberation room.
- And the last step is an approval in the Annual General Meeting. They accept all the changes that were given a green light in the National Study commission.

The necessary majority for any changes in the rules and the format of the competition is 81% of the votes in the Annual General Meeting(AGM). The AGM is organised only once a year⁴. (KBVB,2006a: article l/17;l/23;l/33; ProfLiga, 2006a)

	Number of Members
Chairman(of the FA)	1
Provinces	12
Prof Liga	6
National football Liga(2 nd division)	2
Third division	1
Fourth division	1
TOTAL	23

Table 1: The members of the Executive Committee
Source: KBVB (2006a)

	Votes in AGM	In % of AGM
First division (18 teams)	108	19.85
Second division (18 teams)	72	13.24
Third division (32 teams)	64	11.76
Fourth Division (64 teams)	64	11.76
Lower division (1790 teams)	236	43.39
TOTAL	544	100

Table 2: The division of the votes in the General Meeting
Source: KBVB (2006a)

The first division(Prof Liga) with 19.85% of the votes has in cases that matter to professional football a “blocking minority”. On the other hand every initiative for modernising or adapting the Belgian football structure to the new international and economic environment can and has been blocked by the clubs in the lower divisions. This means that propositions such as diminishing the number of clubs in the first division and/or second division, the introduction of “a second team with youngsters” of the clubs in the first division in the lower division as exists in Germany, France or Spain, changes in the promotion and relegation system, dividing the FA(KBVB) in a Belgian national professional league and a federal amateur league, changing the distribution of revenue sharing of the TV rights,... have been blocked or delayed.

Recently the separation into a national professional competition (Jupiler League (division one) and division two) and a division of the lower division in a French speaking part and Flemish speaking part was rejected. The reason why the professional teams wanted a separation of the amateur part of FA into a Flemish and a French/German part is because sport, as a public item, is not a federal matter anymore. In 1992 the Belgian parliament decided that Belgium would become a federal state and one of the items that became a responsibility of the communities was sport. In this configuration of the Belgian State "sport" can only be subsidized if the national associations divided themselves in a French/German and a Flemish part. All the sport federations in Belgium divided themselves but the Football Association remained an unitarian association. This means that subsidies of the Flemish/French/German government for youth development in Belgian football went lost.

The democratic structure of the executive committee and the AGM makes the FA static. The amateur clubs and the smaller professional clubs are rejecting the modernisation and adaptation of Belgian football to a new economic environment. We define the decision structure of the FA sometimes as "*the dictatorship of democracy*". The only solution would be, according to FA article I/1 to have an 81% majority in an exceptional general meeting where 81% would decide to dissolve the FA and create a new "modern" FA, but such a radical change will never happen.

b) The economic/financial structure

In Europe and Belgium, prior to the 1990s, the objective of the professional football clubs was to provide entertainment by achieving playing success while remaining solvent and not to maximise profit. Sloane(1971) indicated that profit-making clubs in Europe have been the exception and not the rule. Chairman, directors and patronages with a controlling function in the football clubs first attained successes in other business fields. Their motives to invest in sports were more a desire for prestige, power or sporting enthusiasm and can be seen as a form of philanthropy. They get the best seats and a chance to mix with people in similar positions as themselves. Profitability seems an unlikely motivation. The pursuit of successes on the field is the main objective and the clubs can be defined as win(sportive profit) maximisation oriented.

Until 1984 clubs in Belgium as in most of the European competitions, were funded through gate receipts, commercial receipts from bars, bank loans, direct subsidies provided by national or local governments, or indirect subsidies through free use of

community stadiums, public workers of the local government, specific social security and tax laws and "Black money" from local businessmen evading taxes. Andreff & Staudohar(2002:25) refer to this way of financing as the traditional *Spectator-Subsidies-Sponsors-Local* or SSSL-model. In 1984 the Brussels District Attorney Guy Bellemans investigated the business of pro football clubs. When the investigation was done, two club presidents were jailed (and thereafter immediately released), a bribery scandal was disclosed, several players suspended and all the clubs were fined heavily by the tax authorities. As a result banks became very reluctant to grant additional loans to clubs, although the SC Anderlecht stadium was rebuilt (total cost: €40m) on loans by the then General Bank (now Fortis NV) and sponsor of the team. Smaller clubs had trouble finding money and a new entity was introduced by KV Mechelen's owner (the late) John Cordier (Telindus-Mobistar): the "investment company". An investment company was a business model to keep players as property in a different business unit; Investors – mostly rich fans/supporters with money to spend - were given the guarantee that they would profit when the assets (the players) were sold. The Belgian football association opposed, but never outlawed the investment company. This business model disappeared with the Bosman ruling.

The Bellemans raid in 1984 proved that Belgium football was infested by tax evasion money. Until 1984 Belgium had been a paradise for foreign players. In the seventies Rob Rensenbrink and Arie Haan, two of the best players of one of the best national teams in the world- the Netherlands -, played in the Belgian League. The sensation of the World Cup 74 - Emmanuel Sanon of Haiti - was transferred to Belgium. Gregorz Lato and Wlodek Lubanski of the great Polish squad played in Belgium, together with Preben Elkjaer-Larsen one of the greatest Danish players ever. In the season 75-76, 34 out of 97 foreign players in Belgium were Dutch. The Bosman ruling abolished the existing transfer system and liberated the professional footballers from their peculiar status as employees not entitled to sell their labour to the highest bidder once their contract of employment came to an end. The result was a drastic change of the labour market. Before Bosman, the clubs had monopsony power and kept the wages low. After Bosman, the powers switched over to the players. The combination of this change with the win maximization objectives of the clubs and the exploding TV rights in the big sports and broadcast markets of UK, Spain, Italy, Germany and in a lesser degree France and the Netherlands, resulted in very high salaries. These changes in the economic environment led to an exodus of talent out of the smaller market of the Belgian competition. The changing structure of the origin of the foreign players supports this statement. This season there are 225 foreign players in Belgium, only 5 are Dutch.

The migration pattern between the Netherlands and Belgium shows an opposite evolution. The higher wages in the Dutch competition can be seen as the main incentive. (figure 1).

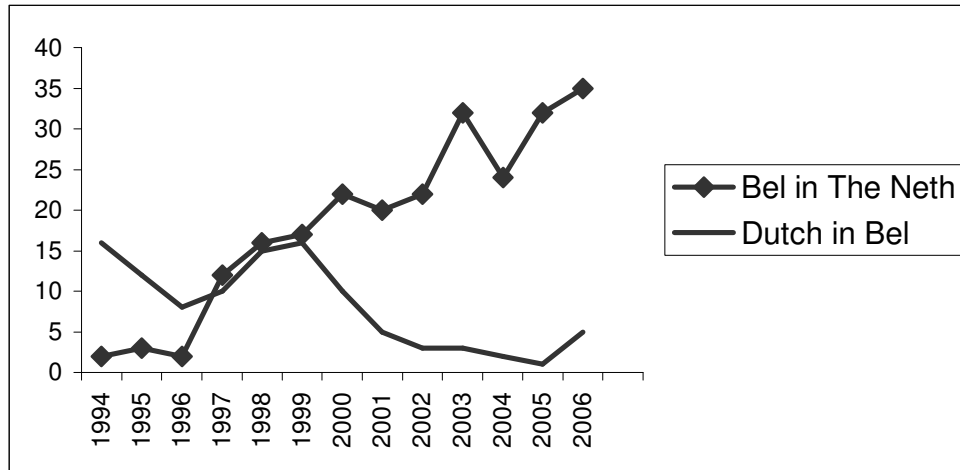


Figure 1: Dutch players in Belgium, Belgian players in The Netherlands(1994-2005)(Dejonghe 2005:15)

The changing structure of European professional football made that most of the European top clubs no longer have the structure of the SSSL model. The rising impact of television and media companies and the emerging interest of multinational corporations on professional football gave rise to a professional management approach, but did not bring financial stability. Another change was the use of the ability of the new investors to mobilize additional funding for further growth. According to Andreff & Staudohar(2002:31-33) the new owners implemented forms of vertical integration in the industry and created synergisms as a result of the interaction between business and sport. The result is an evolution from the SSSL model to the more global *Media-Corporations-Merchandising-Markets* or MCCM-model. The transformation occurred, as can be seen in figure 2, almost at the same moment as the introduction of the Bosman case. The sudden introduction of the Bosman rule left the smaller competitions unprepared. The big competitions from England, Italy, Spain, Germany and to a lesser degree France, attracted the "free agent" players and the clubs in the smaller competitions lost a great part of their assets and their bank guarantees. Another short term effect of losing the transfer revenues was the lack of money to replace the lost players. The total revenues in the "big five" tripled in the last decade and they have nowadays a share of 68% of the total budgets in Europe.

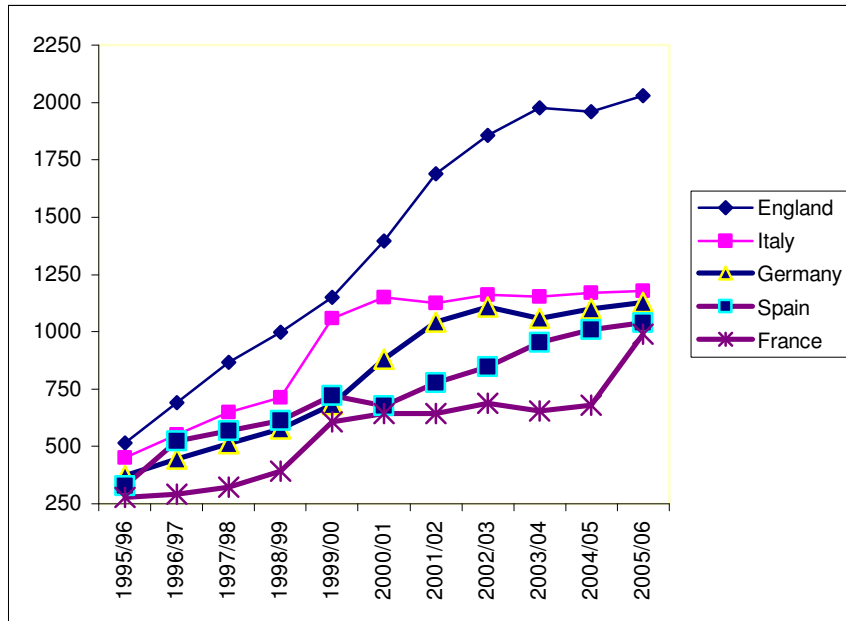


Figure 2: Revenue growth of the “Big Five” competitions in Europe: 1995/96-2005/06 (Deloitte & Touche, 2005:13)

In Belgium the budget didn't rise that drastically and major changes did not occur in the governance structure of football in the 1990s, and thus the SSSL model still dominates. The result was a sudden spectacular decline of Belgium from a 3rd place in the UEFA ranking in 1993 to a 20th place in 2000 and a recovery to a more “normal” 12th place in 2006.

2. Present day

At this present moment only four of the 18 Belgian clubs in the Jupiler League are limited companies. One of them - GBA - was forced to become a limited company when Ajax Amsterdam, a club with a flotation on Euronext took over the club. Only one big football team - Standard de Liège - is partly a limited company. Another team in a major market, FC Bruges is - according to the Belgian law - a 'non-profit organization' (VZW-ASBL⁵), as are the other clubs. Some clubs combine both models. Belgium's richest club RSC Anderlecht, is as far as football matters are concerned a VZW-ASBL. But on the other hand its merchandising is organised in the "NV Winners" and its catering in the "NV St-Guidon". The majority shareholders of these companies are the "Vanden Stock family" and former manager Michel Verschueren. The results of the Anderlecht companies have never been consolidated. The two moneymaking companies can be placed in the traditional SSSL model and they fund the football branch through cash donations.

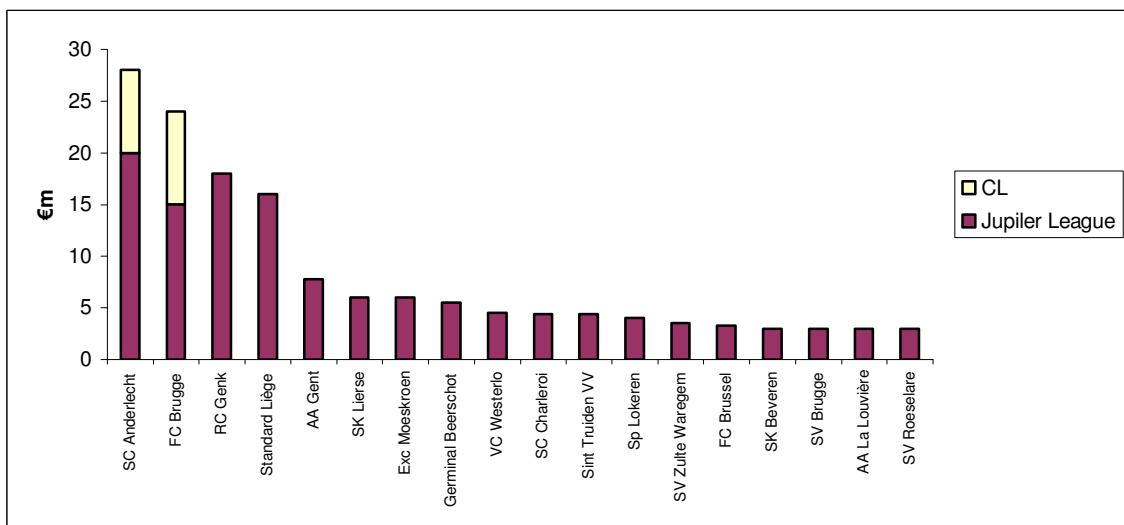


Figure 3: The turnover of the Belgian clubs in first division(2005/06)

The total budget of the 18 clubs in the Jupiler League 2005/06 was €146m (CL included), with €84m for the 4 biggest clubs (figure 3). The budget before season of SC Anderlecht and RC Genk consists of the potential revenues from the Champions League or UEFA cup. FC Brugge does not include these in their budget. This season RC Genk didn't survive round one⁶ of the UEFA cup so the club didn't qualify for the group stage. The result is that the club had some cash flow problems since February 2006. The chairman of the club asked the players with the highest wages to postpone a part of their salary to May or June. In those months the club receive their last share of the

broadcasting revenues of season 2005/06 and the selling of the season tickets 2006/07 starts. The turnover of most of the clubs in the first division fluctuates between €2.5 and €6m.

Belgian broadcasting rights have, as one can see from figure 4, risen from €3m in 1989/90 to €36m today. The Belgian football competition had/has the disadvantage of the given broadcasting market with few players. Belgium as “one market” does not exist in the media. The country of ten million is divided in two language regions, 6.5 million in Flanders and Brussels(Dutch-speaking) and 4.5 million in Walloon and Brussels(French-speaking). Each region has its own broadcasting network. In Flanders there are two serious players in the open-air market; the publicly funded VRT and the commercial broadcaster VTM.

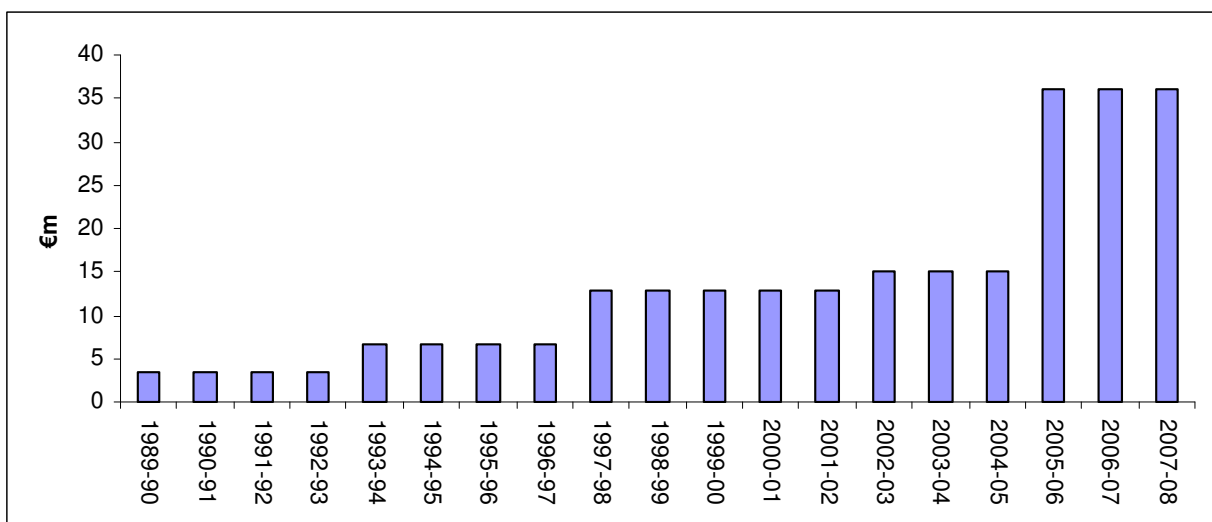


Figure 4: The revenues from broadcasting rights in the Belgium competition 1989-2005
Source: Vandeweghe & Van Goethem(2004); Dejonghe(2004b); Profliga(2006b)

In the period 1994-2004 VTM held the TV contracts in Flanders. In the period 1997-2004 the national broadcasting station VRT did not even participate with a serious offer, leaving the Prof liga with only one broadcaster to negotiate with. The French speaking market had only one player, the public broadcaster RTBF. The same occurred in the pay TV market, where only Canal+ exists. “Pay per View” is not a Belgian concept and Internet or other modern media rights are unheard of. The negotiations for the broadcasting rights 2005/06-2007/08 took place between two antagonists, Belgacom/VRT and Telenet/VTM. The change from monopoly to an oligopoly market resulted in a rise of the broadcasting right. Belgacom/VRT and RTBF are paying €108m for three years or €36m for a season. The matches of the Belgian competition can be watched on the “pay channel” Belgacom and every Sunday at 6 p.m. on VRT/RTBF. Belgacom was a new player on the “pay per view” market and the number of

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subscribers was, because of the particular Belgian broadcasting market, at the end of February 2006 only 33,000.

For the post 1999 period there are no data of the turnover of the teams available. The total turnover of the Jupiler League evolved in the period 1999-2005 from €106.6m to €146m. The increase between 2004/005 and 2005/06 can be explained by the entrance of FC Brugge in the CL and the “new” revenues from broadcasting. A part of the increase in broadcasting revenues was used an increase in the turnover but a share was/is being used to pay off some debts or as reserve capital. A lot of the smaller teams in the first division had and have financial problems. We look into that matter in part II.

Season	Income Ticketing* (€m)	CL (€m)	Tv (€m)	Other (€m)	Total budget (€m)	% big 4	%big 4 att in Jupiler League	% big 4 att (Jupiler League + CL)
1999/00	36.55	-	13.73	56.3	106.6	50.6	45.5	-
2000/01	40.35	9.15	13.73	56.0	119.2	49.4	48.3	49.8
2001/02	41.34	6.83	13.73	58.0	119.9	49.1	50.5	52.3
2002/03	40.55	12.36	13.73	66.4	133	52.6	52.5	55.2
2003/04	41.97	11.39	13.73	68.7	135.8	55.2	52.9	55.8
2004/05	43.53	5.81	13.73	62.7	125.8	56.5	56.4	57.5
2005/06	46**	12.5**	34.65	53.9	146	57.6**		

* including ticketing CL games

** estimated

Table 3: The Belgian first division: the composition of the revenues (1999/00-2005/06)
Source Data: KBVB(2006b); Voetbal Magazine (1999-2005); Vandeweghe(2005)

The share on the total budget of the Big 4 is, as can be seen in table 3, rising. The introduction of the market pool in the CL resulted in an increase of the budgets of SC Anderlecht, FC Bruges and in a smaller amount RC Genk. The endogenous growth of financial resources for the football clubs in Belgium is limited. A lot of the clubs have problems to find new endogenous resources (see some examples in part II). The Champions League, revenues of broadcasting, and the selling of players are the exogenous sources that can result in an increase of the turnover.

The total revenues from the CL in the period 1992-2005 are €55.414m(see table 4). Most of that money went to SC Anderlecht(€32.789m) and FC Brugge(€14.38m).

Season	Team	Revenues CL (€m)	Max stage
1992/93	FC Brugge	2.65	1 st group stage
1993/94	SC Anderlecht	2.83	1 st group stage
1994/95	SC Anderlecht	2.53	1 st group stage
1995/96	-		
1996/97	-		
1997/98	SK Lierse	1.86	1 st group stage
1998/99	-		
1999/00	-		
2000/01	SC Anderlecht	9.15	2 nd group stage
2001/02	SC Anderlecht	6.83	1 st group stage
2002/03	RC Genk	6.385	1 st group stage
	FC Brugge	5.98	1 st group stage
2003/04	FC Brugge	5.75	1 st group stage
	SC Anderlecht	5.636	1 st group stage
2004/05	SC Anderlecht	5.813	1 st group stage
2005/06	FC Brugge		1 st group stage
	SC Anderlecht		1 st group stage
Belgium		55.414	

Table 4: The Belgian CL-revenues 1992/93-2004/05 (Vandeweghe, 2005)

The non-profit clubs in Belgium don't need an open book keeping. In the beginning of the season the clubs gives their total turnover to the media. From 2006 on non-profit organisation with assets of at least €1m are obliged to deposit their annual account in the Commercial Court or if the assets exceed €3.25m at the National Bank (Federale Overheidsdienst Justitie, 2006:31-32). A recent bribery scandal will accelerate the transformation from non-profit to an open book keeping company constellation(see part III). The data in table 5 for SC Anderlecht are estimations and the second stage data of the CL in 2000/01 was not included in the pre season estimation. The club probably held some money to fill the potential shortages in 2002/03. Since 2003/04 the revenues have been rather stable but one year without CL would mean a step backwards for the club. The problem of a top club from a smaller country (market) is that they get "punished" for a good result in the Champions League. The qualification for the second stage in 2000/01 resulted in a lost of a lot of players. Those players went abroad to teams in the Big 5. The transfer money can be used to buy new players (active), but on the long term the "quality" of those clubs diminishes and the probability to win a European trophy declines⁷. In the period 1999/2000-2005/06 the CL has stood for 20-25% of the revenues, the attendances in the Jupiler League for 25-30% and the broadcasting rights for on average of only 6-12%. The attendances are reaching the maximum capacity of the stadium and the national broadcasting rights in their present form are not a new source of income anymore. The clubs reached their maximum turnover in the present competition, location and media contracts. The only new source would be more CL revenues, a kind of Euro League, new facilities with higher potential income from sponsoring, seats, attendances,... or individual sales of broadcasting and other rights.

Team		99/00	00/01	01/02	02/03	03/04	04/05	05/06	TOTAL
Anderlecht	CL		9.15	6.83		5.635	5.813	6.0*	33.428
	Attendances CL		2.0	2.0		2.0	2.2	2.5*	10.7
	Attendances Jupiler League	4.2	5.0	5.4	5.9	6.0	6.2	6.2*	38.9
	broadcasting	1	1	1	1.1	1.1	1.1	3.3*	9.6
	Other**	14.3	2.7	7.3	18	7.6	9.6	9.0*	68.5
	TURN OVER	20	20	22.5	25	22.3	25	27	161.8
Brugge	CL				5.98	5.75		6.5*	18.23
	Attendances CL				2.3	2.3		2.5*	6.5
	Attendances Jupiler League	3.7	4.3	4.65	4.9	5.7	6.6	6.6*	36.45
	broadcasting	1	1	1	1.1	1.1	1.1	3.3*	9.6
	Other**	7.9	7.2	6.85	6.7	5.9	7.3	5.1*	47.55
	TURN OVER	12.5	12.5	12.5	20.98	20.75	15	23	117.23

*estimated

** includes the UEFA cup, Belgian cup, sponsor, transfert activity, merchandising,...

Table 5: SC Anderlecht and FC Brugge: composition of the revenues (1999-2005) (€m)

Source: Verbelen(2003); Vandeweghe(2005); KBVB(2006b)

In the period 2000/01-2005/06 SC Anderlecht only missed the CL once (in 2001/02 they ended third in the competition and had to play in the UEFA cup where they reached the 1/8th final). The question we can ask is what will happen if the club ends first or second in the Belgian competition and fails to win the confrontation in the qualifying rounds. The problem for the Belgian competition is that only the first 10 countries in the UEFA ranking automatically qualify for the first stage of the CL⁸. The UEFA country ranking of Belgium declined sharply because of the combination of the consequences of the Bosman case and the increase in revenues from broadcasting rights in the Big 5 competitions in Europe (figure 5).

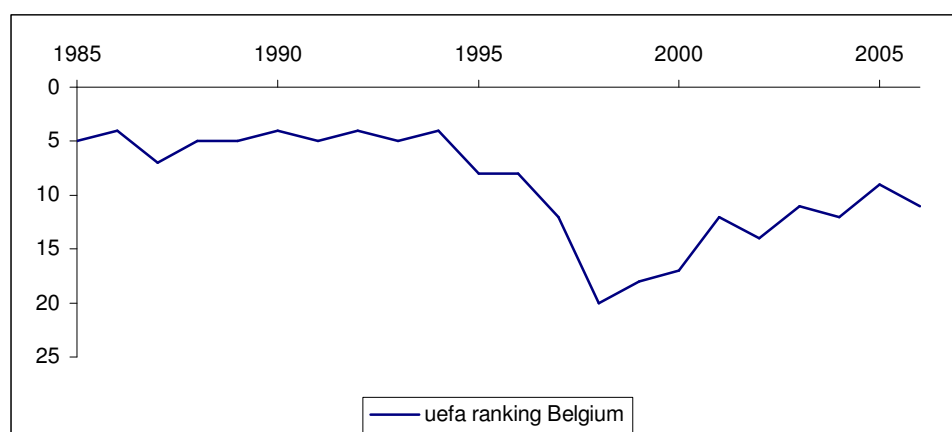


Figure 5: The UEFA ranking of Belgium 1985-2005

Source: <http://www.xs4all.nl/~kassiesa/bert/uefa/index.html> (2006)

In the period 1992-99 the UEFA divided the CL revenues according to the results on the pitch. From 1999 on 50% has been divided according to the broadcasting market and 50% according to results. The introduction of the market pool in 1999 implied a recovery

of Belgium to a ranking between 11 and 15 with an exceptional ranking of 9 in 2005. This means that with exception of the season 2006/07, the Belgian teams have to play in the qualification rounds of the CL. The market pool was a clever tactical move of the G 14. They lobbied and threatened with an alternative European Football League(EFL) sponsored by some media concerns⁹, put pressure on the UEFA to divide the CL revenues in a more favourable way for the Big 5 and into a lesser degree to some secondary competitions. This means that the Big 5 get a bigger share of the total revenues and the divergence between those competitions and the rest is rising. To convince the strongest countries outside the Big 5 they gave a place in the G 14 to FC Porto, Ajax Amsterdam and PSV Eindhoven, made promises to other top teams of the smaller competitions and ensured that the flow of money to the competitions ranked between places sixth and fifteenth was somewhat bigger.

B. Changes in competitive balance

In the period 1985-2005 only three teams played all seasons in the first division (SC Anderlecht, Club Brugge and Standard Liège). Nine other teams spent in that period at least fifteen years in the first division. This means that Belgian professional football competition is, like all the other European football competitions, not an example of competitive balance. In the period 1985-2005 SC Anderlecht won 10 times the championship and FC Brugge 7 times or together 17 out of 21 championships. RC Genk won twice the championship (1998-99 and 2001-02) and KV Mechelen(1988-89) and SK Lierse(1996-97) once.

1) Static competitive balance

a) C5 ratio

The C5 ratio measures the share of the total number of points in a competition that has been won by the top five clubs. The C5 ratio depends on the number of clubs(firms) in the market. In a standard industry the index lies between 0 (pure competition) and 1(pure monopoly). In football the number of clubs is fixed and it is impossible for the top 5 to win all the points. The index lies between $5/N$ and $M/(M+T)$. (Michie & Oughton, 2005:8-10)

In Belgium $5/18$ or 0.28, is the highest competitive balance C5 ratio (exception 2002/03 $5/17$ or 0.29 caused by the exclusion of FC Lommel) and the pure monopoly of 0.49 until 1994 (with the two point system for winning a game) and a 0.59 value since the introduction of the three point system for the winning of a game (with a value of 0.61 in 2002/03).

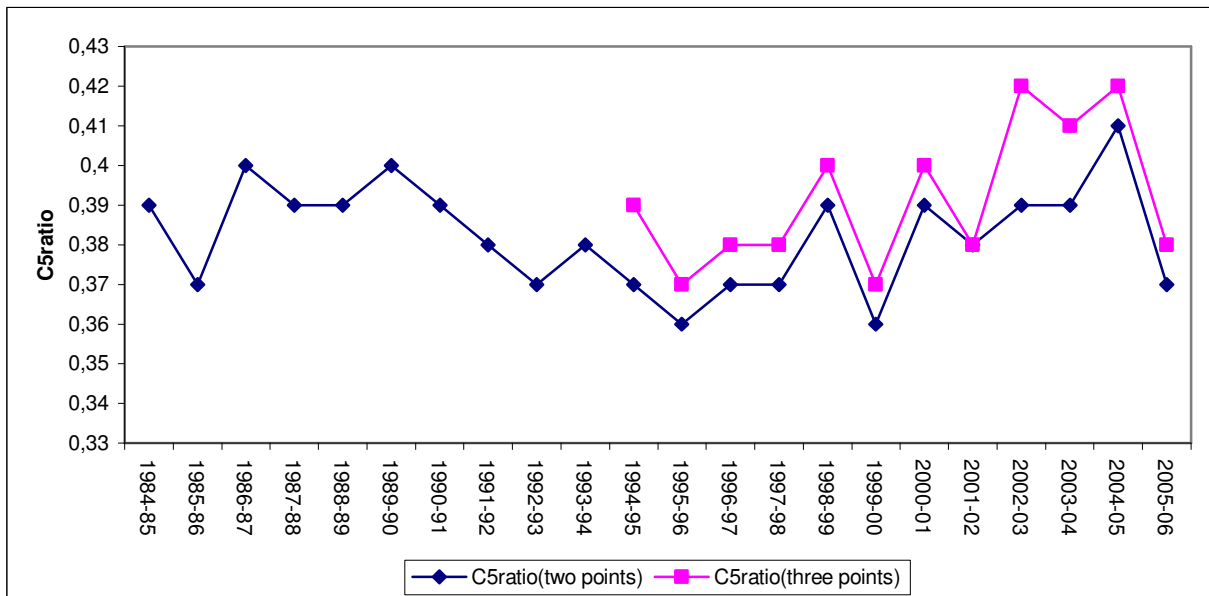


Figure 6: The C5 ratio of the Belgian first division (1994/85-2005/06)

The data in figure 6 shows us a C5 ratio fluctuating between 0.36 and 0.42. This indicates the historical presence of a rather weak competitive balance in the Belgian competition. We notice that, as is predicted, that there is no significant difference in the trend between the two and three point value. It can be seen that over the period 1984-92 the C5 ratio was higher than in the rather stable period 1992-98. Is there a correlation with the introduction of the Champions League or with the decline of the Belgian competition in the UEFA ranking? That question cannot have a definitive answer because we don't have the financial data of the clubs in that period. It could be that the revenues from European football in the period 1984-92 represents a big share of the income of the Belgian top teams and that the top teams could hold or buy the best players in the Belgian and European market in the Pre Bosman era. The introduction of the CL was the start of the decline of the Belgian football on the European scene. The C5 ratio between 1992-98 didn't change a lot and was the period with the "highest" competitive balance in the investigated era. The introduction of the market pool in 1999 resulted in an increase in the C5 ratio to values higher than 0.4. The inequality between the top 5 clubs and the rest could be linked with the exogenous revenues from the CL and, as shown in table 3, with the increasing share of the turnover of the biggest clubs in the total turnover of the first division. The exception is the season 2005/06 with a drop to a value similar to those in the period 1992-98.

b) C5ICB index

Another measurement of competitive balance is the C5ICB index. The C5 Index of Competitive Balance is $(C5 \cdot N/5) \cdot 100$ where N is the number of teams in the league. To compare the ratios in time we counted two points for a win instead of three points. The three-point system was introduced in 1994/95 so that all data since that season had to be adapted to the old system.

“For a perfectly balanced league of any size the index takes the value of 100. Reductions in competitive balance are reflected by an increase in the ratio. “ (Michie & Oughton,2004:11)

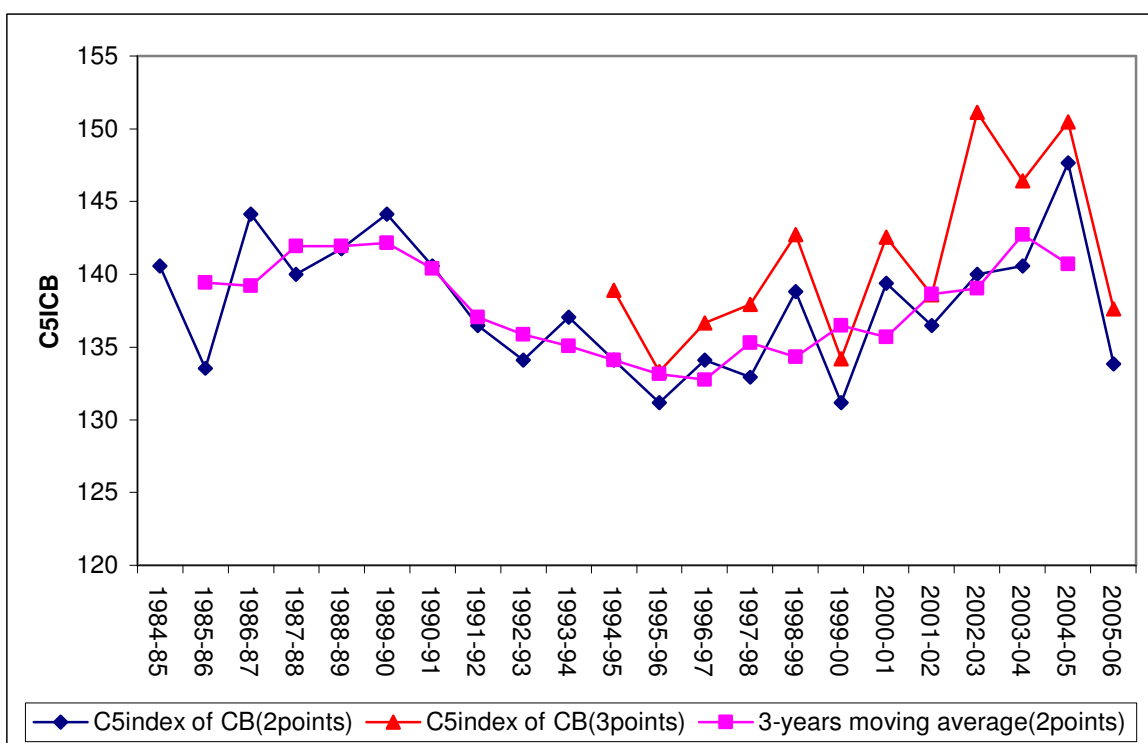


Figure 7: The C5ICB(2 points and 3 points) and 3-year moving average of Competitive Balance of the Belgian Premier League (1984-2006)

The data show us, just like the C5 ratio, the lack of competitive balance in the Belgian first division. The C5ICB(2points) and C5ICB(3points) show no significant change in the trend as is the case in the C5 ratio. In the period 1985-95 we notice that the 3-year moving average, given the constraints imposed on the values of the index by the point scoring system, shows a significantly increasing competitive balance. Since 1999 the competitive balance has been decreasing but the last seasons this trend stopped and the 2005/06 season has, at this moment, a rather low C5ICB. The increase in that period can, as said before, possibly be linked with the exogenous revenues from the CL.

2) Rankings (dynamic competitive balance)

Haan e.a.(2002) used the differences in the year-to-year rankings to measure the dynamic competitive balance(DNt).

$$DN_t = \frac{2}{n} \sum_k |r_{kt} - r_{kt-1}|$$

n is the number of teams in the league, r_{kt} and r_{kt-1} the position of club k in year t and t-1. The DNt values lies between 0 (all clubs ended this year on the same place as last year) and 1 (the champion ended at the bottom, number two the place just before it,...).

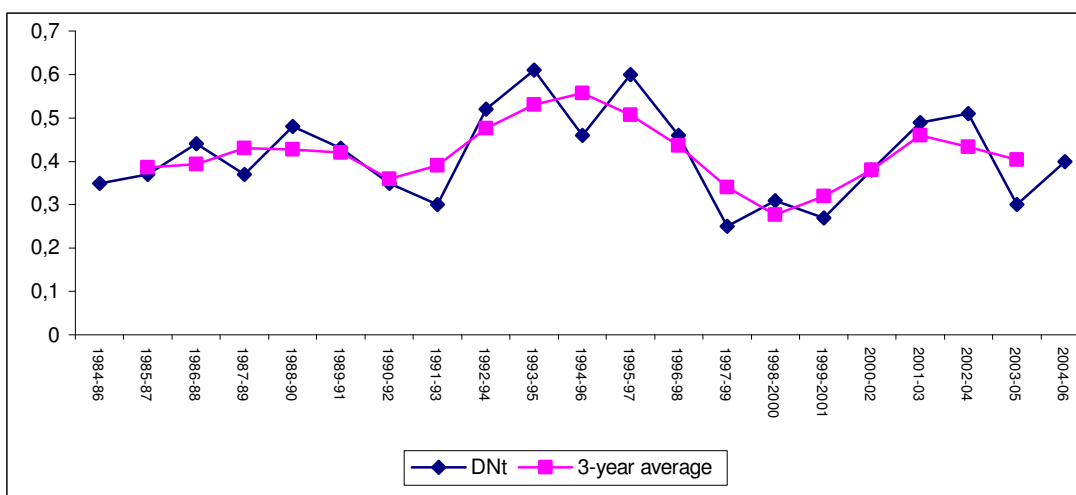


Figure 8: The DNT and the 3-year average DNT of the Belgian Premier League

The data in Figure 8 indicates that in the period 1984-92 the dynamic competitive balance was stable. It was in the period 1992-98 that the dynamic competitive balance was rising significantly but we cannot notice a dominant trend or explanation.

season	FC Brugge	SC Anderlecht	St Liège	RC Genk
2005/06	3	1	2	5
2004/05	1	2	4	3
2003/04	2	1	3	4
2002/03	1	2	7	6
2001/02	2	3	5	1
2000/01	2	1	4	11
1999/00	2	1	5	8
1998/99	2	3	6	1
1997/98	1	4	9	2
1996/97	2	4	7	8
1995/96	1	2	8	-

Table 6: The ranking of the Big 4 in the period 1995-2006

As we mentioned before, a divergence in the turnover of the Big 4 and the rest of the clubs occurs. This leads, as we can see in table 6, to a domination of those clubs in the league.

3) Evaluation

The combination of the static and dynamic values of competitive balance can give an indication of what happened in time. A situation with a declining DNt combined with an increasing C5ICB stands for a period in which the same teams are always at the top and the bottom linked with an increasing number of points. This indicates a total decline in competitive balance. On the other hand is a combination of a high DNt and a declining or low C5ICB a period with an increasing competitive balance. We notice in those periods a change of ranking in the teams and a more competitive competition.

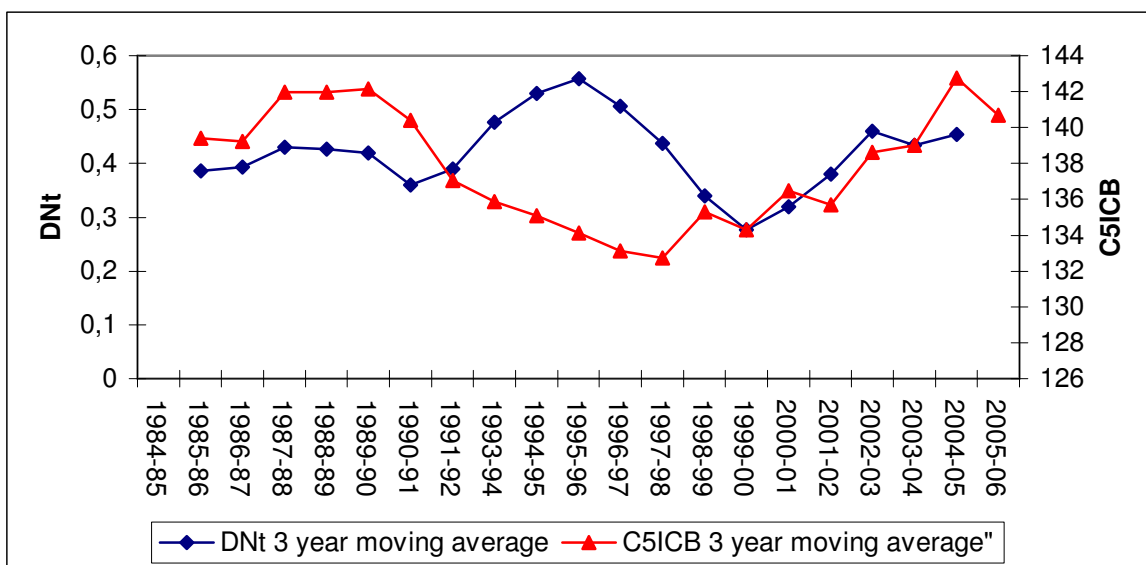


Figure 9: The static and dynamic competitive balance of the Belgian competition(1985-2006)

The data for both ratios are presented in figure 9. It can be seen that over the period 1985-1990 the characteristics of the Belgian competition were that of a rather low dynamic competitive balance combined with a high C5ICB. This means that in the pre Champions League period, with Belgium still at the top of the UEFA ranking, the first division had a low competitive balance. In the period 1990-1996 we notice a situation with a declining C5ICB and an increasing DNt. The competition became more balanced and the ranking of the teams changed. Since the introduction of the market pool we see an increase in both values. This means that the static competitive balance is getting worse but the ranking of the clubs is changing a lot.

The recent significant change of the DNt values is, as we can see in table 7, not caused by a strong change in the top of the ranking. The reason for the volatility of the ranking in the period 1999-2005 and an increasing DNt can be assigned to the clubs between the positions 5 and 18. The explanation is the insignificant differences in turnover between the smaller clubs in the first division.

II Analysis of impact of UCL on domestic championships

A. With regards to competitive balance

1) The relations between ranking and ...

The relation between revenue and success on the field has already been a topic of research (Van der Werff & Verlaan(1994), Szymansky & Kuyper(1999), Dejonghe(2001;2004a). All those studies showed a positive and significant relation. In most of the countries the correlation fluctuates between 0.6 and 0.9 and it is rising. The budgets of Belgian football clubs are not available for the pre-1999 period. For the period 1999-2006 the Spearman R-value, was with an exception in 2002/03, between 0.62-0.70. The correlation between ranking and ticket office fluctuates to a larger degree. In the period before 1999 Germinal Ekeren was a relatively well performing club without a large support. The club merged in 1999 with Beerschot VAV, a bankrupt team in the third division with a historical Antwerp-based club. The home ground of the new team is the stadium of Beerschot and the former crowd of the club returned to some degree. The decline of the R-value to 0.54 in 2000/01 is related to a bad performance of RC Genk. The club ended 11th in the competition but the attendances stayed high. In 2002/03 the rather bad performances of RC Genk(6th), GBA(14th) and Charleroi(16th) explains the R-value. Those teams are located in the larger local markets of Belgium and have a base attendance that is higher than those in some smaller markets. Dejonghe(2001) already mentioned the problem between local market and potential consumption. The smaller teams have a relative high consumption in the home location but the spatial impact of those teams is limited. The result is that in case of the teams located in a smaller market, the increase in attendances related to good performances on the field is small.

Spearman	96/97	97/98	98/99	99/00	00/01	01/02	02/03	03/04	04/05	05/06
Ranking/ budget	-	-	-	0.70	0.66	0.68	0.52	0.64	0.68	0.65(28g)
Ranking/ticket office	0.61	0.47	0.78	0.65	0.54	0.64	0.55	0.62	0.78	0.66(28g)
Ranking ticket without CL	0.61	0.47	0.78	0.65	0.54	0.64	0.56	0.62	0.78	0.66(28g)

Table 7: The Spearman correlation between ranking and budget/ticket office

The relation between TV rights and ranking is of no importance because the level of the broadcasting rights was, until this year, very low and every team earned an amount between €0.7-€1.1m. The share of the broadcasting rights was only 10-15% of the total turnover. The correlation between ranking and pay roll and ranking and transfers cannot be made. The reason is, as already mentioned, the closed bookkeeping of most of the teams.

2) Other explanatory factors

a) Impact of the CL revenues

The revenues from CL can be defined as exogenous to the Belgian competition. Only the champion and the runner-up are qualified for the qualification round or in an occasional season directly for the first round. The divergence between the Big 4 and the rest of the teams make it almost impossible for the secondary teams in the first division to be ranked first or second in the Jupiler League. The impact is already explained in the evaluation of the changes in competitive balance. The aim and strategy of SC Anderlecht and FC Brugge is to become champion or runner up and Standard Liège and RC Genk are “fighting” for the UEFA ticket. This season was/is there a battle between the two antagonists and Standard Liège for the championship. The result could be that SC Anderlecht or FC Brugge do not qualify for the CL or even in the worst case scenario for European football at all. The fourth European ticket in Belgium is given to the winner of the Belgian Cup and SC Anderlecht and FC Brugge have already been eliminated this season.

b) Changing demand

The problem in the Belgian competition is the growing divergence between the Big 4 and the rest of the teams. The attendances of FC Brugge and SC Anderlecht reached the stadium capacity and any new form of endogenous and, as we have seen in table 5, exogenous revenues will be hard to get. The only solution for the top teams is to build new facilities with higher potential resources from attendance and commercial revenues. FC Brugge, for example, has only 463 business seats and the demand outweighs the supply. The only time that the attendances reach stadium capacity in the smaller teams is when some top team come to visit. The average attendances of these teams have shown no significant increase over the last years. Most of the academic “macro” studies about attendances find the win percentage of the home team to be an explanatory

variable. The conclusion that a growing win percentage implies higher attendances is dangerous on the micro level.

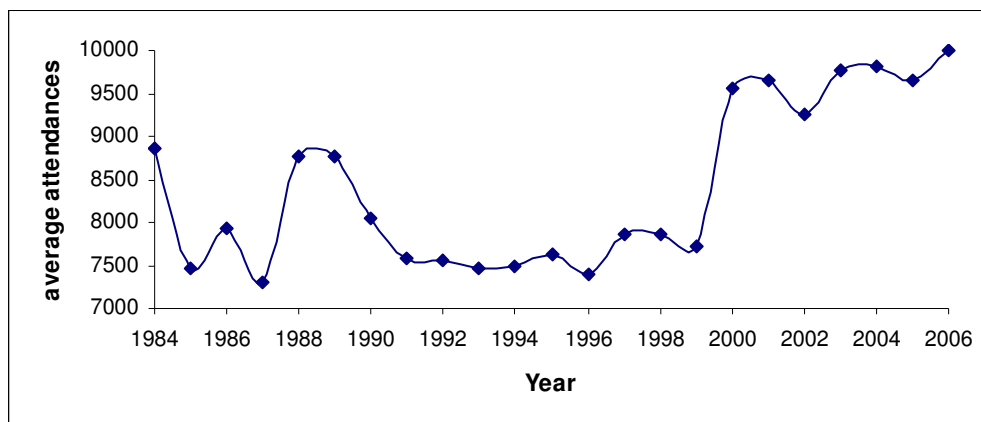


Figure 9: The average attendance in the Belgian first division(1984-2006)
*Data for 2005/06 after 25 games

The attendance in the Belgian first division fluctuated, as can be seen in figure 9, in the period 1990-1999 between 7,500 and 8,000. In 1999/2000 the average attendance rose suddenly to 9,500. The explanation for this trend could be found in the “micro economic” theory of Feeham, Forrest & Simmons(2003) about the evolution of soccer from an inferior good to a normal of even luxury good. The real reason in Belgium was that the prices of a season ticket went down. The “new” difference in price between a season ticket and the entrance price on match days showed that the season ticket holder made a profit even if he misses 5 or 6 games. The result was a increase in the total number of season ticket holders in the first division from about 50,000 in 1997/98(Dejonghe, 2001) to 105,000 in 2004/05 who “statistically” always attend the matches. This evolution illustrates the elasticity of demand whereby a drop in the prices for a normal good creates a higher demand.

The problem with that kind of interpretation is that most of the time is “aggregates” are used, in this case “average attendance”. Usually the explanation is not to be found in this kind of “theoretical framework” but simply, as indicated in table 8 some changes in the composition of the first division or attendances and increases or declines for some teams. The aggregate average attendance rose in the period 1998/99-2004/05 by 2,011 units, the elements given below may provide some explanations other than the “micro economic” elasticity.

- The average attendances in the four biggest clubs increased by 27,706 units. The increasing average is to a greater extent explained by the surplus of attendances in the most popular clubs. The explanation can be found in the drop in the prices of the season tickets. The stadium is now also crowded for the games against the “smaller” teams. Some of those clubs, such as FC Brugge and SC Anderlecht, are reaching the maximal capacity of their stadium. To increase the attendances they need to build a new stadium or increase the capacity of the old one.
- SC Charleroi, at its lowest attendance level in 1998/99 (in the '80 the average attendance was 12,000-14,000) recovered (+6.301) and this explains another part.
- The merger of Germinal Ekeren with the historical third division club Beerschot VAV on the edge of bankruptcy was symbiotic. Ekeren(near Antwerp) played in first division for an empty stadium and Beerschot was a “brand name” with a larger supporter base. The result was an increase in the attendances (not as much as they had hoped) by 2,912 units.

Club	Average attendance 1998/99	Average attendance 2004/05	Average attendance 2005/06 (28 games)
FC Brugge	12,284	24,493	24,961
SC Anderlecht	20,891	23,683	23,758
RC Genk	14,211	22,290	21,921
Standard Luik	13,265	17,711	21,818
SC Charleroi	4,565	10,866	11,594
AA Gent	7,066	7,780	7,540
Sint Truiden VV	7,088	7,706	7,346
SK Lierse	7,435	7,225	7,383
GB Antwerp(G Ekeren 98/99)	4,000	6,912	7,322
Ex Moeskroen	7,700	6,518	4,544
SC Lokeren	5,600	5,461	5,932
FC Brussels	-	5,448	5,126
VC Westerlo	6,182	5,088	5,692
SV Brugge	-	4,988	6,290
AA La Louvière	-	4,841	4,589
AEC Mons	-	4,495	-
SK Beveren	4,559	4,235	4,288
KV Oostende	3,968	3,748	-
SV Zulte Waregem	-	-	6,094
SV Roeselare	-	-	5,535
KV Kortrijk	4,780	-	-
SK Lommel	5,559	-	-
RC Harelbeke	5,600	-	-
E. Aalst	5,794	-	-
Season	7,807	9,628	10,095

Table 8: Average attendance in the Belgian football competition: 1998/99,2004/05 and 2005/06

The rest of the clubs have no constant trend in their attendances and attendance fluctuates in a modest way in relation to their successes on the field. The result is that the marginal revenues in periods of success do not compensate the marginal costs. This

brings us back to the situation where those clubs have to sell their best players at the end of the season and the competitive balance for the places under the top intensifies. The conclusion is that on the long term, in an economically oriented professional football competition in a closed product market with small extra exogenous revenues, the local market size becomes the determining factor.

The raise in average attendance between the two latest seasons is 467. What could be the explanation?

- The competitive balance at the top is high. SC Anderlecht, FC Brugge and Standard Liège were very close to each other. Standard Liège is a club with a long history in Belgium but the last time they were champion was in 1983. The good performances of the club resulted in an enormous hike in attendances(+4,100).
- The abolishment of the fan card. In 1998 the Prof Liga introduced the fan card. Everybody who wanted to attend a match in the first division had to buy a fan card related to a club. The card was introduced to keep hooliganism out of the stadiums. The result was a decline in violence but some teams complained that visiting a game on a casual base was no longer possible.
- This season a lot of clubs made special offers to the potential public. Some smaller teams that almost never play in a sold-out stadium gave a free entrance card to every season ticket holder for some games, dropped the price to €1 to attend a game, invited students, women and other target groups to the stadium,... The result is an increasing attendance that probably will not be translated in more revenues.(Januarius,2006:17)
- The top teams in the Belgian competition perform, as table 9 illustrates, rather badly in their away matches. This implies that the probability of a victory of a smaller team against a top team at home is rising and attendance increases.

Team	Won	Lost	Draw
SC Anderlecht	6	4	5
FC Brugge	3	3	8
Standard Liège	3	3	6

Table 9: The performance of the top 3 in their away games

The positive correlation between win percentage and attendance is a dangerous premise for a smaller club. The data used for figure 10 show the attendances and the win percentages of SK Lierse in the period 1964-2005. In line with the theory, every value should be in quadrant I or II. The data show us that in only 22 cases this premise materializes. In quadrant I we notice rising attendances in a situation of poorer

performances on the pitch. Quadrant IV is dangerous for a club and it occurred 11 times in the case of SK Lierse. The club has to pay higher wages, in other words the marginal cost is rising, but the marginal revenues do not follow. In the best case will the good performances of the team been valued in the next season but that can already be too late.

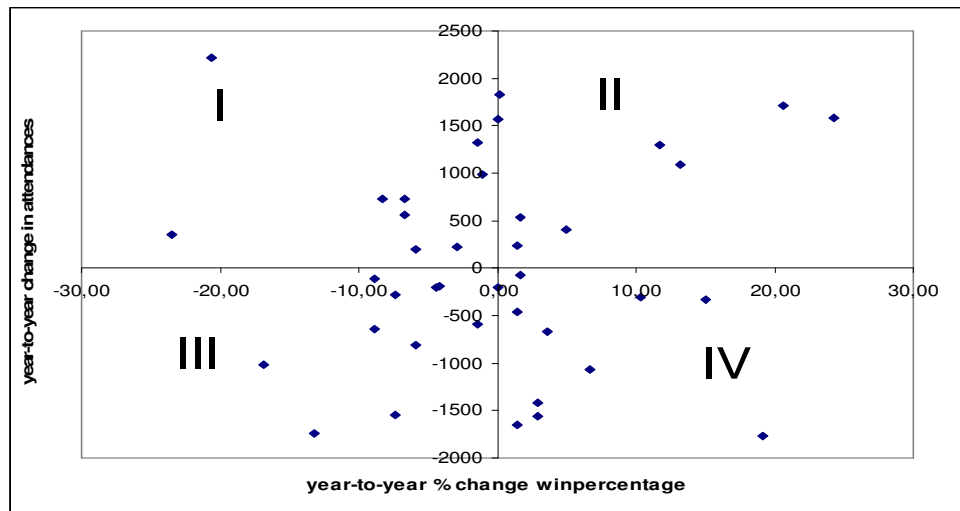


Figure 10: The relation between year-to-year win percentage and year-to-year change in attendance of SK Lierse

B. With regard to general balance in championships

1) Institutional factors

a) The limited financial resources and their “consequences”

Every year there is a “battle” for the places 5 to 18. In the season 2002/03 SC Lokeren(3th), St-TruidenVV(4th) and SK Lierse(5th) were the revelations. The problem was that the wages they had to pay were higher than budgeted. In other terms the marginal revenues of success were lower than the marginal costs. The result was a budgetary deficit. To solve the problem, the clubs had to sell their most valuable players or find some new source of revenue. In SC Lokeren the chairman had to sink new private money into the club, St-Truiden VV found in Duchatelêt¹⁰ a very rich sponsor. The story of Lierse is a typical example of the financial problems in the Belgian competition. This club is still in the first division but others (see part III) are already bankrupt or have every year problems to get the necessary licence. The newest development in Belgium is the gamble scandal with Lierse but also with players/managers/trainers from AA La Louvière and some other smaller teams with financial problems. The general problem of the smaller clubs is to find extra revenue within their and the league’s limited markets.

Many of the smaller clubs have operational cash flow problems. Their revenues are lower than their expenses and every year the licence commission looks into the accounts(see part III) for the period between January and December. A football season takes place between July and June. The main revenues are collected in the summer. The operational cash flow from a smaller team shows a surplus between revenues and expenses in July –September. From then on the expenses overtake the revenues and the surplus of the period July-September should in a break-even situation compensate the shortages of the rest of the season. The operation cash flow plan of the clubs indicate that from March on the revenues are spend and the clubs get a liquidity problem. A lot of smaller clubs are using the revenues from July-September of the next season to solve the liquidity problem of the previous season. The next year the liquidity problem occurs already a few months earlier and a process of cumulative causation is started. The only solution to get out of this continuously downward spiral is to raise the revenues or cut the costs.

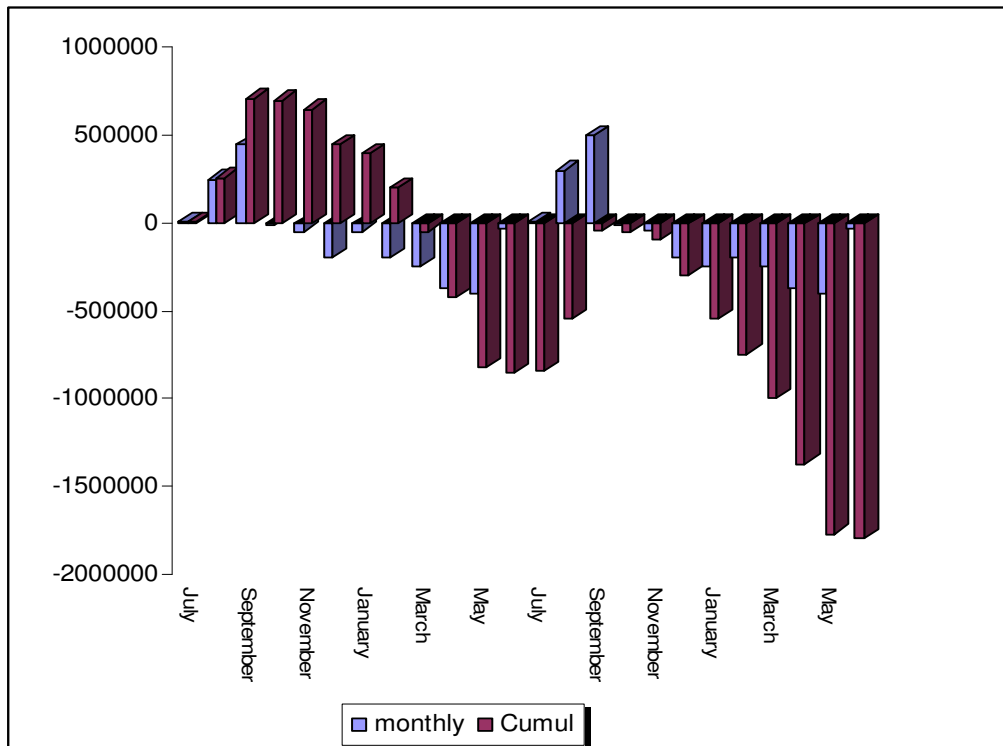


Fig 11: The cash flow and liquidity problem in most of the smaller clubs

SK Lierse: An example of the problems of the smaller clubs

SK Lierse won the championship in 1996/97 and reached the CL. In the post-Bosman era the club lost a lot of their "own" talented players and the CL didn't bring the financial surplus. The policy that followed the exodus of the talented players was an inflow of expensive foreign and some Belgian players. Another problem was that the stadium of the club wasn't suitable for Champion League games. SK Lierse had to rent the stadium of KAA Gent. They lost 5 out of the 6 games and played one draw. The costs related to the participation were higher than the revenues in that season and the salaries of the new players were too high regarding the revenues. That period was the beginning of the decline of the club. December 2004 SK Lierse was almost bankrupt and the club asked the city of Lier for support. The city took over the straight loan from DEXIA BANK and extended the credit terms allowing Lierse to repay the loan in 10 years. The total debt of the club to the city amounted to approx 4 million EUR in June 2005.

In the 2002/03 season the club had a turnover of €5.4m and the wages amounted €5.1m. This means a wage/turnover ratio of 95%. The result were losses of €3.9m in that season. The 2003/04 season shows us a turnover of €5.1m and a drop of the wages to €4.1m. In September 2003 their "star players" Stein Huysegems and Arouna Kone were sold to the Dutch teams AZ Alkmaar and Roda JC Kerkrade. This transformation of assets into cash was only to create some cash flow and didn't solve the structural financial problems. The result of selling and buying players in 2003/04 was a positive cash flow of €2.4m and a decrease of the wages/turnover ratio to 81%. The final result of the season 2003/04 was, even though the club had sold their most valuable players, a loss of €0.9m. The total debt of the club was €10.6m in June 2004 with €7.3m in debts on the short term and a negative corrected "own asset".

The club proposed to the city to buy the stadium but with only 35,000 inhabitants this would be a high share of the city budget. In the beginning of 2005 a new mecenas, Leo Theyskens, put €2m directly into the club to solve the short term debts to players, taxes and social security, and promised and invested another million euro in the months following. The problem was that the club had to pay their most urgent debts to get their licence for the 2004/05. To solve the cash flow problems the chairman sold for an amount of 250,000 euro the option of 15% of the profit on a transfer of Kone from Roda JC to another team. In the summer of 2005 Roda JC got €9m from PSV Eindhoven for Kone and Lierse would have collected €1.2m. The club had a liquidity problem in the beginning of 2005 and all of a sudden a Chinese investor Zheyun Ye came. He gave the club money to pay of their urgent debts and promised to invest more in the team. This was the beginning of the gamble scandal in Belgium.. The Chinese businessman Ye was in reality a member of a Chinese criminal organisation, a "tryad", and of the gambling mafia. He paid some players of the team to lose some games. The press noticed some irregularities in 2005 but the FA and the federal police waited to react until the beginning of 2006.

The accounts of 2004/2005 shows us that the turnover was €4.8m, the wages €4.0m or still a wages/turnover ratio of 84% and losses of €2.2m. The restructuring of the club, some remission of debts and a reduction of the depreciation rates of the assets(stadium) resulted in a decline of debts but the club still incurred exploitation losses.

At the end of 2005 and the beginning of 2006, the financial problems rose again and the club needed a lot of money before March to get their licence for the 2006/07. The money from broadcasting right was withheld by the court because some people had a claim on it. Luckily for the club the judge released €1.1m and a new sponsor forwarded the rest of the necessary money. The city Lier was only willing to support the Club if it could present a realistic business plan including financial forecasts with the available financial resources. Part of the plan are the reduction of the wages/turnover ratio, the hiring of a few professional managers, the introduction of periodic management reporting and a new marketing. The Club will further reduce the wages/turnover ratio: approx 50% in the season 2005 - 2006 and even less in the following seasons. In case of good results the ratio will be slightly higher because of the bonuses to be paid to the players. This will be realized by introducing in the A team more younger local players of its own "youth" teams or from other local clubs.

The Club will try to increase the turnover by attracting the family rather than just one member: a football match to become a family trip means more spending visitors ! Also efforts will be made to ensure that the business seats result for the sponsors in more networking, more business...

The structural policy change in SK Lierse is a result of the rules of the licence commission and the demands of the local government. The future of the club is still doubtful but the pressure on the board of the team made a restructuring possible.

Sources:

reports/official communications of K. Lierse S.K. vzw
public information/documentation of the city Lier

c) the taxation and social security

Professional football players in Belgium are/were paying social taxes based on an inter professional minimum wage (€1234.20/month for the season 2005/06) and not on the real amount. Based on an estimated total wage bill of €80-90m for the Jupiler League and 450 players, the social taxes paid by the clubs should be (for any other business than sports) €35-40 m. Instead, the social taxes paid by the clubs are €2.4 m. This means a kind of government support of €33m-38m for the professional football sector.

Since the circular letter of May 15th 2002 foreign and Belgian players with a fiscal status of non-inhabitant and officially living in Germany, France, US or Greece have been paying only 18 % in taxes¹¹. The club of the player has to be the owner of a licence and ask permission to the Ministry of Finance. The player can use this exception for a maximum of four years. The result is an inflow of “cheap labour” especially from France. A lot of teams located near the France border and with a low budget or with a lack of financial resources are using the loophole provided by the circular letter. The Belgian league became a secondary competition and a “stepping stone” for players from outside the EU. The minimum wages in Belgium for non-EU players in 1995 was about €25,000. De Decker and Wille, two senators of the Flemish Liberal Party VLD¹² were the founding fathers of the proposal that raised the minimum wage to 8 times the minimum wage of nowadays or €62,864¹³. The existence of the severe restrictions for non-EU players in the UK and the Netherlands¹⁴ made Belgian clubs interesting to co-operate with. Some clubs sought and found cooperation deals with major clubs abroad. FC Antwerp - Manchester United, VC Westerlo – Chelsea/Feyenoord, SV Brugge-Blackburn Rovers and SK Beveren with Arsenal . SK Beveren teamed up with Arsenal in 2000, but in 2002 was overtaken for an amount of €1m by a French former international active in Ivory Coast with ASEC Mimos Abidjan and the local soccer youth development academy. This Mr. Guillou was a personal friend of Arsène Wenger, the Arsenal manager As it turned out, this African school now owns SK Beveren, a (two time) Belgian champion. SK Beveren(in the press sometimes called SK Amistad or a neo-colonial transit port) has almost solely players from Ivory Coast and in most of the matches only players from that country are present in the team. The club was used as a “stepping stone” or a “window” for those players and some of them were sold to other teams in Belgium and the rest of Europe. Roughly one third of the transfer money remained in the club, one-third was for Mr. Guillou and one third for a company called NV Goal, a joint venture reportedly owned by local business people. The cooperation between Guillou and the club will stop at the end of this season. The club has already fired the French trainer and

some other French employees of the club and is looking for money to buy back Guillou's €1m share.

The results in table 10 show that similar to other competitions in Europe, the relative impact of foreign players has grown. The difference between the pre Bosman and post Bosman era is a decline in quality notwithstanding an increase in foreign players. The vast majority of the foreign players now come from sub-Saharan Africa (the secondary countries of that part of the world) or former Yugoslav republics, a consequence of the stepping stone theory. The recent increase in French players can be explained by the new taxation rule.

COUNTRY OF ORIGIN	1982/83	1994/95	2005/06
FOREIGNERS	69	110	225
TOTAL NUMBER OF PLAYERS	270	399	457
%	25.6	27.6	49.2
EUROPE	65	61	129
The Netherlands	25	12	5
(formerl) Yugoslavia	2	12	45
Germany	10	2	
England	2	2	1
France			43
Iceland	3		4
Rest East/Central Europe	8	23	20
Rest West/North/South Europe	13	10	11
AFRICA	2	32	72
Congo (former Zaire)	2	10	2
Nigeria		6	11
Ivory Coast			25
Cameroon			6
Burkina Faso		2	4
Rest Africa		14	24
SOUTH AMERICA		10	16
REST of the WORLD	2	7	8

Table 10: The origin of foreign players in the Belgian First Division
Source: Dejonghe(2004b) based on Voetbalmagazine 1982;1994;2006

c) Subsidizing the facilities

Another problem in Belgium is that sports are a regional matter and Brussels, Flanders and Walloon have their own ministers and ways of subsidizing sports. In Flanders the government doesn't interfere when clubs are on the edge of bankruptcy but some of the facilities are owned by the local government. The support for facilities in the southern part of Belgium has since 1994, with the creation of Infrsports, been disguised under the form of subsidies for renovation and modernisation of the stadiums. RAEC Mons is

the city of the Wallonian Socialist chairman Elio Di Rupo and the local government donated 7 million euros to “modernise” the stadium. SC Charleroi was almost bankrupt but the former minister-president of Walloon, Van Cauwenberghe, an inhabitant of the city, made it possible that the Walloon region gave €6.2 m for the stadium. Moeskroen, home of a Catholic politician and AA La Louvière collected €4.4 m and €3.2 m from the Wallonian government. The result is that clubs in the south of Belgium can transfer the rest of their budgets to salaries and a lot of Flemish teams still have to rent or to pay off the loans for their stadiums. The Walloon government is also subsidizing the new training facility of Standard Liège for an amount of €12m. (Het Laatste Nieuws,2004; De Tijd,2005; Van Theemsche,2005).

III. Regulatory mechanisms

A. Description

1) Presentation of national mechanisms

In 1995 the Belgian first division changed its name to the Jupiler League. Interbrew(nowadays InBev) paid in the period 1995/96-2003/04 BEF 30m (€0.75m) a year. The contribution increased to €1.25m in 2004/05 and €1.30m in 2005/06. The Prof Liga used the money until 2003/04 to modernize the ticketing system. In the last two seasons they paid of €0.25m and €0.5m to each of the 18 teams. The Prof Liga is considering about making some new investments next year. The result could be that the contribution to the clubs will drop. The live broadcasting makes it economically not opportune to postpone matches. The pitch of most of the stadiums in Belgium can't be warmed up. This can result in postponing of games and losses of money for the media. The Prof Liga is considering buying heating systems that they will lend to the clubs.

In the period 1997/98-2004/05 the Flemish commercial broadcasting company VTM and the French speaking public broadcasting company RTBF each paid €2.6m and the pay channel Canal + €9.8m. The KBVB collected 8.5% of that money as a sort of contribution (tax). 75% of the rest is divided proportionally and the other 25% is divided as "merit fees" and "facility fees". The way the €36m of broadcasting rights 2005/06-2007/08 is divided to the clubs is shown in table 11. The Belgian Football Association collects €1m and the second division €228.572.

€15m solidarity	€19,646,428 repartition
€9,683.640 equally divided	51% big five (FC Brugge, SC Anderlecht, St Luik, AA Gent and RC Genk) – 49% the other 13 teams
€5,316,360	¾ ranking last 5 seasons (current season not included)
1/3 ranking last 5 seasons (current season not included)	¼ ranking season
1/3 facility fees	
1/3 merit fees (ranking season)	

Table 11: The revenue sharing of the broadcasting rights (2005/06-2007/08)

The Prof Liga collects the broadcasting rights and distributes it to the clubs. The first and main part of €22.50m is paid in October and the equally divided share of the broadcasting rights and the share of each club associated with the ranking of the last five seasons. The share related to live appearances on television in the first round will

be paid in January. The part associated with the merit fees and the appearances in the second will be paid in May.

2) Licence commission

Every year the clubs are obliged to fulfil to the conditions of the licence system. Teams with debts to the Board of Internal Revenue, social security, pension funds or players and other clubs, didn't get a licence for the next season. Debts to other parties were not taken into account.

The reason for the introduction of this licence system were that the debts to the Board of Internal Revenue, indirect taxes and social authorities amounted to €10.86m in January 2000. Jan Peeters, the chairman of the FA, and Frank Vandenbroucke, the minister of Labour and Pension engaged in negotiations for the first time on January 17th 2000. The reason for this policy change was the accurate control by the national financial authorities. They tried to find a solution to the financial problems of a great part of the Belgian football clubs. In June 2000 the football league finished the conditions and texts for the introduction of a licence system. The Annual General Meeting of the Belgian FA decided on June 23 of 2000 that Belgian football would be divided into a section "professional football" in the first and second division, and a section "amateur football" in the third division and lower. Every team has to fulfil on a yearly basis the conditions of the licence commission. To enter or stay in the first division in the season 2005/06 the teams had to comply with all the items declared in article III/6 and III/7 of the FA rules. The most important conditions are:

- 1) being a "legal entity/incorporate business" with all the legal consequences
- 2) employer of contract players according to the rules of the KBVB, playing in the official competition and having a "FA registration number"
- 3) Insurance against labour accidents
- 4) Evidence of payment of all necessary contributions to
 - Players salaries
 - Social security
 - Taxes on wages
 - Pension funds of the professional football players
 - The indirect taxes
 - All other taxes
 - The debts to the KBVB and to other clubs

The licence commission can give a licence to a team, after having heard the report of the licence manager, if the club has a

- "austerity plan" approved by the authorized court of justice
- Agreements on payments in terms with the creditor(s)

The licence commission can set additional requirements that accompany the licence, if there is an agreement on payments with the creditor(s)

- The prohibition on incoming transfers of players
- A "austerity plan" limited to a period stipulated by the licence commission. The plan has to give a full statement of the assets and liabilities, a prognosis of revenues and expenses of the forthcoming season and a prognosis of the assets and liabilities at the end of next season.
- give periodical proof (date proposed by the licence commission) of the payments in terms

The licence commission

- can withdraw the prohibition on incoming players
- can give a licence if the debts are disputable
- can give a licence if the debts are disputable and the club gives a bank guarantee for those potential debts
- will contact the institutional creditors to obtain all necessary information about the disputable debts

One of the main problems with the conditions of the licence system is the period of investigation. To get a licence for the 2006/07 the clubs have to prove in March 2006 their payments until December 31th of 2005. So all the clubs strive to make the necessary payments before that period, but of January 1th 2006 on the debts can rise again. That "new" problem must only be solved in February/March 2007.

The conditions to be a professional club in the professional first division of the Belgian FA are given in article III/7 of the FA-rules. These are:

- 1) playing in the first division
- 2) to have at least 20 professional football players on August 1
- 3) facilities with certain characteristics (for more information http://www.footbel.com/nl/KBVB/bondsreglement_consultatie/inhoudstafel.html)

Also according to the III/7 rules of the Belgian the clubs that want to participate in the European competitions FA since 2004/05 have been obliged to adapt their facilities, administration, employees, legal and financial structures to the conditions of the UEFA

licence. The conditions of the UEFA licence are more rigorous than those of the Belgian FA. The main differences are:

- Concerning financial management the clubs need a yearly account, an exploitation account, a balance sheet and a turnover audit.
- The clubs aren't allowed to have debts to players, government or UEFA and have to prove their solvability between the seasons.
- The wages of all the employees have to be paid. In the Belgian case it was/is not necessary that the wages of trainers or administrative staff are paid.
- The clubs need the assistance of a financial expert
- Facilities have to improve

B. Components of analysis

1. Effectiveness of mechanisms

a) The impact of the licence system

The licence system was introduced in the 2001/02. The result of the introduction of the licence system was/is that some clubs suddenly experienced financial difficulties and disappeared and Darwinism was and is the name of the game. In the first year of the licence E. Aalst, RC Harelbeke and SK Beveren in the first division and FC Turnhout in the second division got into a predicament. The first year the deliberation in Higher Appeal was tolerant and the three first division clubs were deliberated and only FC Turnhout was punished.. . As can be seen in table 12, the deliberation of the teams in 2001/02 was only a postponement of execution. The total debt to Social Security dropped from €5.43m in June 2000 over €3.2m in June 2001, €1.68m in June 2002, €0.75m in June 2003, €1.29m in June 2004 to €0.37m in June 2005.

Year	Team	result
2001/02	FC Turnhout(2 nd div)	The club was relegated to the 3th division
	E. Hekelgem(2 nd div)	Didn't fill in the licence demand and the club stopped
2002/03	RC Harelbeke	The club went in voluntary liquidation and another team from the second division, SV Ingelmunster, was going to use the stadium. Nowadays the team plays in the third division under the name of SV South-West
	E Aalst	The club restarted as a new non-profit organisation VC E Aalst 2002 in the 3th division
	RWDM	The club merged with FC Strombeek, became FC Brussels (from 2006 on Brussels) and has been playing in the first division since 2004/05). The club is partly subsidized by the Brussels Capital Region because of the new name "Brussels" and engaged itself to give the local youth playing opportunities in youth teams.
2003/04	FC Lommel	The club merged with the 3th division club Overpelt VV to KSK United and last year they went up to the 2 nd division
	KV Mechelen	The club went into voluntary liquidation and was placed into receivership. The club created a new "non profit organisation" "vzw Yellow-Red KV Mechelen" and was relegated to the 3th division. Last year they went up to the 2 nd division. The new vzw is paying the old vzw a rent of 27,000 euro a year for the stadium.
	FC Liège (2nd div)	The club relegated to the third division

2005/06	FC Heusden-Zolder(2 nd div)	FC (Beringen)-Heusden-Zolder was a team with no spatial impact and no supporters. In 2003/04 they played in the first division in the stadium of RC Genk. The average “paying” attendances were 2000. In the second part of the season the entrance to the matches was free and the average raised to 4,000. The club relegated after one season and relocated to Beringen, a small city with a historical first division club that is playing today in the regional leagues. The club was never embedded in the city because they did not merge with the old local club. The result is voluntary liquidation and the team stopped on March 11 th 2006.
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Table 12: The clubs from the first division that didn't receive their licence

b) SWOT-analysis of the licence system

Strengths	Weaknesses
<ul style="list-style-type: none"> - Declining debts to government - Introduction of “economic thinking” - Obligation to pay the wages of the players - Attention to youth development (?) - Improvement of facilities 	<ul style="list-style-type: none"> - the aberration between season (July-June) and control date of the licence commission (December) - Not all the debts were taken into account - Source of revenues are not verified - Only in the highest division so the “alternative” money finds its way to the lower divisions
Opportunities	Threats
<ul style="list-style-type: none"> - More evaluation instead of once a year - Exogenous commission instead of a commission composed out of members of the teams - Introduction new “legal entity”, a NV or a newly introduced form with a totally open bookkeeping - UEFA licence 	<ul style="list-style-type: none"> - Power of the clubs in the General Meeting - Government support in the Walloon region - Debts to other persons/institutions that are not incorporated in the licence system

This SWOT analysis indicates that the licence is already a step in the good direction but that some necessary changes have to be made in the near future. Those changes were already discussed but as we will see in the next part, a huge bribery scandal was necessary to accelerate the decisions.

2. Problems of governance

a) The situation in Belgium

Another and very crucial question that can be asked after we have seen the recent evolution in the European professional football environment is: "Is there a need for a professional football league in Belgium?" If the answer to this question is affirmative then an economic analysis is necessary. The situation today in Belgium is:

- Average attendances of 9,500 spectators in the last few years
- About 50% of the spectators attend 4 clubs
- Broadcasting rights of €36 million for season 2005-2006
- Lack of international impact and the associated income loss from demand oriented broadcasting rights
- Total budget of the first division (18 teams) is only €144 million
- No barriers between professional and amateur football
- Teams on the edge of bankruptcy and heavy debts

The increasing impact of the economic principles on football results in a classification of the clubs in (inter)national and local ones. An assessment of their capacity to survive on the long term, will have to be analysed along economic and spatial potentials. The central topics or the necessary minimal conditions are in this case the presence of potential fans and the willingness of the local firms, industry and government to invest in the club and its infrastructure. Whenever the future of Belgian football is discussed, three solutions are always brought up:

1. decrease the number of clubs to 16, 14 or even 12
2. make an BENE-league, being an international league with the Netherlands.
3. make the product market "European" so that Belgian top teams can compete with the teams from the big leagues (a kind of Euro League based on the American system)

The problem being the broadcasting revenues, one can easily calculate how the team revenues would benefit from a bigger TV contract. Decreasing the number of clubs could eventually double the TV revenues for the big market teams but this would hardly influence the total revenue the way the Champions League does. For the Belgian clubs, participating in the CL is crucial and can represent up to 25-30 % of the yearly revenues.

Modest solidarity still existing among the 18 first division clubs in Belgium is under pressure. On the one hand, the two (three) top teams, FC Brugge, SC Anderlecht and

Standard Liège are anxious to keep up with Europe. On the other hand they need their own “*Mickey Mouse league*” to qualify for the European Champions League. SC Anderlecht is on the verge of becoming a G14 member. Once a permanent European competition stage created, the major Belgian clubs are bound to break away, leaving the others behind. From a theoretical viewpoint a European Super league in an open product market with a form of revenue sharing between the teams is the ideal situation but this dream is something for the (far or nearby?) future.

b) The European context

“Champions League ‘is killing football’” (Campbell,2004:1)

The problem of governance today is not only a Belgian problem but also a European problem. The smaller leagues cannot compete against the bigger leagues and the major teams in the smaller leagues have, because of their location in a smaller product market, a competitive disadvantage. The total amount of money that can be earned in the CL evolved from €28.63m in 1992/93 to €530m in 2002/03. The exponential trend was abruptly disturbed in 2003/04 and dropped to €415m to recover to €430m in 2005/06.

Country	1992-1999	1999-2005	total
England	102.50	465.59	568.09
Spain	58.86	467.01	525.87
Italy	85.13	424.02	509.15
Germany	74.96	410.46	485.42
France	46.51	331.12	377.63
The Netherlands	44.43	124.38	168.81
Belgium	9.87	45.27	55.14

Tabel 13: CL revenues on country level (€m).

Source: Vandeweghe (2005b).

The market pool made the CL more profitable for the Big 5. A simple Spearman correlation test between the year-by-year country ranking shows us a concentration of success and a declining competitive balance between the countries.

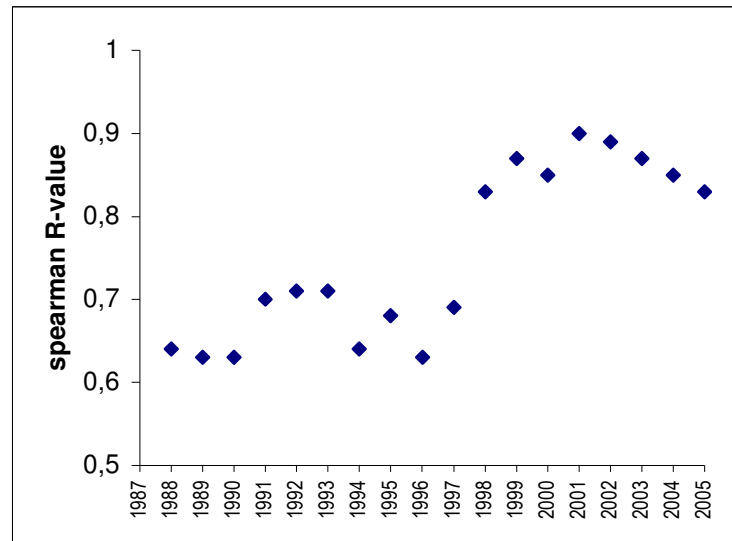


Figure 12 : The year to year correlation in the period 1987-2005
Source data: UEFA European Cup Football (2005)

The results show a weak competitive balance in the pre Bosman era. The Rs-value fluctuates between 0.6 and 0.7 and indicates a strong positive correlation between the seasons. The Bosman case and the changed economic environment even worsened the competitive balance. The Spearman correlation increased and fluctuated between 0.8 and 0.9. The market pool confirmed and retained the status quo in the existing situation.

The problem on the long/middle-long term could be a lack of interest in the CL. This means less income for the broadcasting companies and as a result a declining flow of money from the secondary and other countries to the UEFA. As an example I give the rates of the CL-games in 2005/06. FC Brugge and SC Anderlecht qualified for the first stage of the CL. According to the VRT (2006) the average rates in Flanders for the games of SC Anderlecht was 680,000 viewers and of FC Brugge 600,000 viewers. Both clubs were eliminated in the first round and the rates for the live-games of the 1/8th final fluctuated between 330,000 (Inter Milaan-Ajax) and 575,000 (FC Barcelona-Chelsea) viewers. Those rates indicate that a CL without Belgian teams would lead to a strong decrease of the rates. If the Belgian case can be transplanted to the other countries in Europe then the CL will have some serious problems. The concentration of European success in a few countries could result in declining CL interest and revenues.

c) The youth development funds and the restructuring of the league

The high relative number of foreign players in the Belgian competition and the absence of a youth development program recently resulted in the creation of a workgroup¹⁵ “Youth development and protection of youth development”. They investigated the problem and, in 2005, came up with an proposal of an action plan (Liga Beroeps Voetbal,2005).

Identification of the professional section and the youth centres

- The clubs have to install a centre for young amateur players with a FA registration number J (for “jeugd” = youth)
- These centres have to be a ‘legally personality’
 - o Submitted to the rules of amateur football
 - o Getting subsidies from the regional governments
 - o Getting training/education compensation from a specially established funds in Flanders and the Walloon region

The sources of the financial input in the training/education funds for

- the amateur clubs
 - o percentage of the broadcasting revenues
 - o the FA contributes €1 for every euro that is sunk into the funds
 - o subsidies from regional government
 - o subsidies from “Quango’s” (Quasi-Autonomous Government Organisations” e.g. the National Lottery
 - o eventually a share of the membership fees of the players
 - o sponsorship
 - o ...
- The professional clubs
 - o Youth development period starts at the age of 12 and ends at the age of 19 years old
 - o Put €5,000 a season a player in the funds if they attract a youth player from another professional club
 - o The clubs that trained the player get a compensation from the funds related to the quality of their youth development
 - o A professional football club that gives a contract to a player developed in another Belgian club has to pay a compensation based on the number of years of youth development.
 - o The compensation has to be paid to a fund that redistributes the money according to the quality (the youth development of every club will be investigated and given a quality label) and years of youth development

The financial input

These changes will tie in with a new competition format

- Professional football in first and second division
- Amateur football in two separated non profit organisations from third division on
 - o Flemish and Walloon competition to get subsidies from the regional government
- “National” amateur competition in division 3 and 4
- Regional (province) amateur competition in the lower sections

The professional teams from the first division want, because of the specific conditions of football;

- A permission to give a contract to players from age 15 on (today 16 years of age in Belgium but only 15 in France and The Netherlands) to keep the better youth players in Belgium¹⁶.
- The contract has to be for a period of three years
- The wage has to be at least the minimum wage agreed by the National Professional Committee
- The player is not obliged to sign the contract and is free to leave or stay with the club
- A professional club can claim a youth development compensation if a player signs a contract of paid football player in a period of three years after he left the club.
- A friendly tax policy for players under 21 years of age

d) The answers to the gamble and bribery scandal

Dejonghe (2001;2004a) already mentioned the need and necessity of a restructuring of the Belgian football league. At first this academic reflection was put aside as being too theoretical and unnecessary. The chairman of KAA Gent, Ivan De Witte, mentioned the historical problems and the need of change. He said in an interview in the financial newspaper “De Tijd”: “*The Prof Liga or the FA will never take the steps and the initiative to create the necessary reforms of football*”(Vandenberghe, 2004:15). In that interview he made an analysis of the smaller clubs in the Belgian league. He is against the personal input and investments of a chairman in a club and mentioned the need for public funding in sport infrastructure.

On March 20th 2006, the chairmen of the 18 first division clubs and the chairman of the Belgian FA, had what they called a “historic” meeting in the buildings of the Belgian FA. The result of that meeting was a declaration and a signing of a “moral agreement” of the

18 teams to accept the ranking at the end of the season. Most of the football fans find this the most important consequence of the meeting. In reality the most important are the changes relate to the other potential agreements. At the meeting they decided to create some workgroups to help to restore the confidence in football (Boes,2006). Those workgroups will work on the agreements and are in fact some late answer to the opportunities and some of the weaknesses of the SWOT-analysis.

- The introduction of the new entity based on the French model with a transparent bookkeeping system and an easy way to find the source of the revenues
- The introduction of the UEFA licence for all teams in the first division. This means that clubs without European ambitions also have to adapt to those conditions
- Every season three moments of audit of the financial situation of the clubs. Today the club is audited in March but in the new system there will be two additional controls in June and October/November
- Clubs who do not fulfil the licence requirements will be forbidden to receive incoming transfers of players
- The composition of the licence commission will change. Exogenous persons will be introduced such as bookkeepers, legal experts/lawyers and some other external specialists
- Transfer money of players must pass through the hands of the FA. The reason for this intervention is to keep an eye on the impact of brokers
- A new institution where people can report any potential case of corruption, bribery or fraud
- Statements in the contracts of the players' and trainers' pointing the possibility of heavy fines in case of corruption, bribery or fraud

The results of these potential changes can only be evaluated in the future.

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¹ Jupiler is the popular lager beer of the InBev (formal Interbrewgroup). Jupiler sponsored the first division and the slogan “Jupiler, mannen weten waarom” (translation “Jupiler, men know why”) was connected with football

² These four clubs are the winners of the three periods in the second division and the number two of the tables at the end of the season. If the winner of one or more of the periods is the champion of the 2nd division then the other winners and the first teams in the table at the end of the season that didn't win a period are play in the post-season competition.

³ The selection of the three clubs stays the same as in the formal system

⁴ When necessary the FA can demand an “Extraordinary” Annual Meeting

⁵ VZW = Vereniging zonder Winstoogmerk, ASBL = Association sans But Lucratif = Non-profit organization

⁶ RC Genk lost against FC Lovech from Bulgaria (2-2 in Lovech but a 0-1 defeat at home)

⁷ SC Anderlecht lost the two offensive players Jan Koller (Borussia Dortmund) and Tomasz Radzinsky (Everton FC), the left defender Didier Dheedene (1860 München) and the left middle man Bart Goor (Hertha Berlijn) after their success in the CL in 2000/01. They bought the Egyptian player of the national team Tarek El said (failed totally), the Russian Anatoli Guerk (failed), the Serbian Nenad Jestrovic (played rather well in Anderlecht but was not good enough to been sold to a European top team. He left Anderlecht in 2006 for Al Ain (Qatar)), the South Korean Ki-Hyuen Seol (transferred to Wolverhampton) and Ivica Mornar (went in 2004 to Portsmouth) from Croatia.

⁸ Since August 2005 an exception when the cup winner did not qualify in its country then only the champion of the first nine countries are automatically qualified for the first stage

⁹ Rupert Murdoch, Silvio Berlusconi, Leo Kirch, Al Waleed Bin Talal. The American JP Morgan Bank, the English solicitors Slaughter & May and the marketing company Media Partners would manage and control the EFL.

¹⁰ Roland Duchâtelet is the founder of Melexis, a company on the stock market with a market capitalisation of €4.2 billion and the founder of the political party Vivant (nowadays a cartel with the Flemish Liberal Party).

¹¹ The circular letter is a supplement of the circular letter of February first 2002. The circular letter was made for sporting and cultural events (such as concerts, tennis tournaments, cycling races,...). The artists or athletes had to pay a 18% tax (art.270,3° WIB,1992) in Belgium and got an exemption in their country. The rule was in the first place for artists and athletes that came to Belgium for some performances like concerts or tournaments. A Belgian minister is chairman of Telindus Oostende, a basketball team in the first division. To compete with other clubs in Europe he needed foreign players so he “asked” in 2002 to open this taxation law for basketball. To cover the reason he changed the law also for professional football

¹² The reason for their intervention was the abuse of mostly young African players by their “agents”. The Internal Affairs commission Idecided that a raise of the minimum salary for non-EU players could be used as a weapon against those practices.

¹³ Ivo Belet (European Parliament Christian Democratic Party) and Dirk Claes (Christian Democratic Member of the federal chamber) proposed in December 2004 a raise of the minimum wage to €154,080

¹⁴ In the Netherlands the average salary of the professional players is the reference. For 18-19 year told non-EU player the minimum wage is 75% of the average pay or €218,246.25 and for players of 20 years and older 150% or €436,492.50. In 2004/05 the average in the Dutch competition stood at €290,995 and dropped, because of the declining revenues to €227,803 for the season 2005/06. In England “The Department of Education and Employment (DEE)” controls the “quality” of the non-EU players. They demand some proof of the skills of the players(playing in 75% of the official competitive games of the

national squad, country has to be in the FIFA top 50,...) to deliver a work permit or visa. (De Tijd,2004;Dejonghe, 2005;Rossmeisl,2006)

¹⁵ The workgroup worked under surveillance of Michel Preud-homme (Standard Liège and representative of the Big 5), Herman Wijnants (VC Westerlo and representative of the smaller clubs) and Jean Marie Philips (chairman of the Prof Liga)

¹⁶ A UEFA directive says that teams located within a 50km range near a border can recruit youth players 50km into another country. This means in the case of Belgium that a lot of teams from the Netherlands and some of France can attract Belgian youth players from Belgium.