

# Popular clubs suffer under salary cap

Alan Moran

To clear the decks for his elevation to the ACCC, in 2003 former AFL Commissioner Graeme Samuel wrote an article entitled 'Footy wouldn't be fun without a level playing field'. In it he argued that equalization of salary caps was not anti-competitive since the code itself is the competitive entity, not the individual clubs. The code is in competition with rival codes and other sports, hence it is legitimate and healthy to have price controls on the clubs. He equated AFL clubs to a franchise like McDonalds competing against other eating establishments.

Interesting concept. But it is doubtful whether the airlines would get away with collusion to control input prices on the basis that they were actually a franchise in deadly earnest competition with the car, shipping, railways and the horse and buggy. And if cinema owners joined together to agree on a maximum price for film rentals on the basis that they'd like to keep a critical mass in the face of television, video and live entertainment competition, the ACCC would have been calling for jail sentences.

I have argued in the past that the salary cap deprives the best performers of income and prevents the clubs from seeking to win and maintain fans' support by assembling the most attractive package that the fans' turnstile behaviour merited. I questioned the consistency of the Samuel's positions on the competition policy-shielded AFL with his then Chairmanship of the competition watchdog, the NCC.

The ACCC Chairman has since made the case for AFL labour regulation on the grounds that abolishing

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salary caps would lead to increased prices. To do so, he argued, would bring about the demise of two of the Melbourne clubs.

Neither of these outcomes should be part of a competition regulator's analysis.

It may be true that lifting the salary cap might raise costs and therefore charges, but that is no different from an outcome in the fees paid to rock musicians, opera singers, merchant bankers or television personalities.

The claim that, without salary caps, the popularity and viability of team sports would be undermined is equally unfounded.

Without a salary cap, soccer has become the world game. In spite of many Australians sharing Sam Newman's views that it is boring, its spectator appeal dominates the market for world team sport. And the lack of a cap has not resulted in the disappearance of teams willing to compete. Of course, like those sports with a cap, teams go under from time to time, but as with failing businesses in the restaurant industry, there is no shortage of replacements.

Lack of a salary cap in soccer means that the richer teams tend to dominate. But they do not invariably win championships. In England, the Premier League might see a half dozen teams normally winning the top honours, but in the last ten years Blackburn Rovers has won the League, been relegated, and come back up again. Wigan, currently second, was an amateur non-League club a decade or so ago, while it was only 30 years ago that the mighty Manchester United was relegated. The same picture is seen in Germany, where recently the previously diminutive Bayer Leverkusen almost stole

the title, and in Italy's Serie A, where tiny Chievo finished fifth.

The point about allowing players to earn fancy salaries is that it performs a real service. Such unfettered arrangements allow markets, rather than a centralized bureaucracy, to determine how much the finest and most skilled athletes should be paid. In the AFL, in particular, playing careers are extremely short—less than ten years for most players. It is unjust and inefficient to prevent the best people earning the rewards that those enjoying their skills are willing to pay.

Moreover, as footy fans tend to be wedded to their team for life, it is unfair that their 'agents', the club's management, should be prevented from buying-in talent that their patronage could make affordable. Indeed, this inability doubtless contributed to the poor performance, in recent years, of some of the clubs with the strongest supporter bases. As a result, it would also have brought about an aggregate decline in attendances due to the disappointment of those same supporters with their clubs.

Australians rightly regard sport as among their most important leisure activities and the monopolistic practices of sporting code administrations should be an early candidate for ACCC review. Of course, with his conflict of (previous) interest, Mr Samuel would need to consider excusing himself from participating!

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