

LIES AND STATISTICS

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Football salary caps can be made to work, according to Robert Macdonald.

The financial scandal facing rugby league's Canterbury Bulldogs has put the spotlight on player salary caps. But a system in place in the Australian Football League shows salary caps can improve the competitiveness of professional sporting leagues.

The National Rugby League introduced a \$3.25 million salary cap – which the Bulldogs have admitted breaching – in 1998, 13 years after a total player payments cap was introduced in the AFL. Sporting bodies introduce salary caps and other labour market regulations to keep a lid on the amount of money that clubs pay players (and hopefully to stop the wealthiest clubs from poaching all the best players), improve the financial position of the clubs and enhance the competitive balance. Left unrestrained, clubs seek a competitive advantage by engaging in an arms race of expenditure on salaries for players and coaches and investment in training, rehabilitation and support facilities.

The effect of such spending was evident in the former Victorian Football League in the early 1980s when six of the 12 clubs were technically bankrupt.

A salary cap was introduced in 1985 and the first national player draft was held in November 1986. By 1992, the salary cap had risen to \$1.6million for all clubs and trebled to \$4.75million in 2000, following the 1998 collective bargaining agreement with the AFL Players' Association. The cap is now \$5.562million and will rise to \$5.937million next year.

The evenness of the VFL/AFL competition has improved since these regulations were introduced. For example, since 1987, 12 clubs have played in the VFL/AFL grand final, producing eight different premiers. In comparison, between 1968 and 1986, only seven clubs played in the VFL grand final, producing five different premiers. During this era, players were tied to clubs depending on where they lived, and were bought and sold in a way similar to that of European soccer.

However, while competition is more “even” on the football field, *The Age* recently estimated that 10 out of 16 AFL clubs would be unprofitable this year. Data available for 1996-2000 shows that seven of the 16 AFL clubs recorded a negative mean operating profit in this period. This is in spite of the salary cap, player draft and an annual base distribution from the AFL to the clubs, which has covered between 52 and 61 per cent of the salary cap.

Clubs will engage in an arms race so long as AFL regulations allow them to do so. However, restraint is needed to slow unsustainable growth in both players' salaries and football operations expenditure.

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