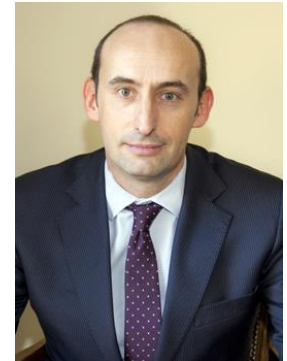


THE FOOTBALL AUDIOVISUAL RIGHTS IN SPAIN ONE YEAR AFTER

THE APPROVAL OF THE NEW REGULATORY FRAMEWORK : BETTER THAN BEFORE?

By **Jordi López***

Most of us may recall that by May 2015, plenty of news and institutional declarations proclaimed the benefits for the Spanish football of the new regulatory framework of the audiovisual rights' exploitation established by the Real Decreto-ley 5/2015 of 30 April, and how this new scenario was to positively impact in the competition. At that time the expectations were high, but at the end of the day were only expectations. Nowadays, more than one year after the approval of said "Real Decreto-ley", practice has turned speculation into reality: the new system has effectively improved the situation of Spanish football clubs, and it is expected that this tendency keeps on consolidating in the near future.



For the proper understanding of the matter at stake it is important to bring back our memory to the scenario existing before the approval of the "Real Decreto-ley", where the commercialization of football audiovisual rights was not conducted in a centralized manner. Clubs negotiated their rights individually¹ with the broadcasters and agreed with them on the conditions they deemed convenient separately. This lack of uniformity brought in practice to a situation in which the biggest 2 clubs in Spain (Real Madrid CF and FC Barcelona) were obtaining huge revenues from the exploitation of their rights, while the distance with other clubs in incomes arising out of the audiovisual rights' exploitation did not stop increasing. At the same time, some of these smaller clubs were suffering an asphyxiating financial situation due to their debt status especially towards the Tax Administration and Social Security, which in a large number of cases brought them to bankruptcy. This was happening in addition

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¹ Some of the clubs conducted the negotiations directly, others through the so-called "G30".



when the commercialization of audiovisual rights in the direct competing leagues was being made on the basis of joint selling models that were generating a noteworthy growth of incomes in those championships, and this in periods where the Spanish football was extremely successful from the sporting perspective, not only in the clubs' competitions but at national team's level.

The new model of football audiovisual rights' commercialization, which had to be ultimately established *ad hoc* by the Spanish Authorities in light of the impossibility of the relevant stakeholders to reach an agreement in such a model, came to palliate these problems, of course together with other measures such as the development of financial control rules by LaLiga. This model not only foresees that all clubs shall assign the audiovisual rights' joint commercialization faculties to the events' organizers (LaLiga or the Real Federación Española de Fútbol depending on the competition involved²), but a system of distribution of the revenues amongst the clubs of the First and Second Division which is more equitable or that at least, tends to reduce the differences between the bigger and the smaller clubs.

Pursuant to article 5 of the "Real Decreto-Ley"³, the revenues obtained from the joint commercialization of the "Campeonato Nacional de Liga"'s audiovisual rights are to be distributed amongst the clubs of the First and the Second Division (90% for the First Division and 10% for the Second Division) as follows: 50% of this 90% -First Division- and at least 70% of this 10% -Second Division- shall be paid to the clubs in equal shares, that is to say, all of them receive the same for this concept; concerning the rest, it is distributed amongst the clubs in an unequal manner taking into account the factors foreseen in the "Real Decreto Ley", i.e. the sporting results in precedent seasons and the social implantation of the clubs. On top of this, the "Real Decreto-ley" has determined that a difference higher than 4,5 times between the revenues obtained by the club which receives more and those obtained by the club which receives less cannot exist. If this happened, the amounts to be received by all the clubs should be regularized accordingly.

The system arising out of the "Real Decreto-ley" has implied an increase of revenues, particularly for those clubs which received less in the past. Some of these clubs will see how their incomes arising out of their audiovisual rights are doubled or more than doubled in a three-season period (2014/2015 to

² LaLiga for the First and Second Division championships and the RFEF for the King's Cup and the Spanish Supercup.

³ Those obtained by the RFEF as regards the exploitation of the audiovisual rights corresponding to the King's Cup and the Supercup are to be distributed in accordance with the criteria foreseen in article 8 of the "Real Decreto-ley".



2016/2017), which is spectacular. These has brought immediate positive effects, such as the sudden refurbishment of lots of clubs' stadiums (such the ones of Real Betis, Villarreal CF, SD Eibar, RC Celta, CD Leganés or CD Numancia⁴), which will also contribute to improve the image of these clubs. This image improvement means at the end the day more value for the whole audiovisual rights, more value for the championship and the corresponding likely attraction of further investment of quality to Spanish football, not only in terms of sponsorship but also in terms of contribution of capital to the clubs itself (as it has recently happened with RCD Espanyol). In fact, as advanced by LaLiga in the "Informe Económico del Fútbol Profesional 2015", the mere announcement that the "Real Decreto-ley" was about to be approved implied by itself an indirect increase of incomes (*"the increase of Commercialization incomes can be explained by the reallocation of the clubs' sponsors anticipating to the imminent change in the TV rights commercialization model which was expected with the approval of the Real Decreto Ley of joint commercialization of audiovisual rights in the season 2014/2015; this brought an increase of audience of LaLiga and thus an increase of the repercussion of such sponsorship"*).

It is really good news for the Spanish football community that clubs will be capable to improve their financial, sporting and social situation and to construe a solid basis for their future with resources precisely coming from the activity of football itself and from an asset (the rights) that already existed in the past. In addition, the fact that an important part of the revenues obtained by the clubs depends on the sports results and social implantation will for sure foster the clubs' better performance in both the competition and social or institutional areas.

Even if the new model (i) has not been exempt from criticism (the RFEF and the players' association - AFE- were not satisfied with the outcome of the new legal text, and some scholars still think that the "Real Decreto-ley" should have gone further, as the new model in practice may imply that a substantial incomes' difference between the two biggest clubs and the rest still exists) and (ii) will imply some exercise of solidarity for these two biggest clubs (which give the most relevant added value to the competition), the general impression of the football stakeholders is that it came for the good and especially that it came to stay for a long time. It is a tool that will help to the financial stability of clubs and that in the mid-term will make the Spanish championship more balanced and competed. The Premier League model is the clearer evidence that the centralized commercialization of audiovisual rights represents more money and that a fairer distribution of rights adds value to the competition,

⁴ Source: LaLiga.



and this will be for sure replicated in the Spanish league. The definite bet of LaLiga for this new system played a key role in this respect.

Even if 1 year time is not much (it takes time to progressively accommodate to the new situation, and some transitory situations foreseen in the “Real Decreto-ley” are still applying), significant changes have already taken place, and the trend is that these changes continue taking place in the forthcoming years. In words of LaLiga⁵, the new model will *“enable a modern management of the audiovisual rights, adapted to the requirements of the current audiovisual market, and that will respond to the need of new products by the broadcasters, optimizing the return value obtained by the clubs [...]”*. Only time will tell if the reform of the legal framework proves to be fully successful, but the path followed up to today’s date seems to reveal that this will be the case. What the public generally wants is a strong and open competition where several clubs have their chances and the new system and the balance imposed by the “Real Decreto-ley” in the distribution of revenues will undoubtedly contribute to this desired target. A better championship inexcusably reinforces the value of their related audiovisual rights and this brings an optimization of revenues. One step after the other, but we shall keep on walking.

⁵ See Page 5 of the Informe Económico del Fútbol Profesional 2015 issued by LaLiga.

