

**WHAT PRICE FREEDOM?
IMPLICATIONS FOR SCOTTISH FOOTBALL OF THE
POTENTIAL ABOLITION OF THE TRANSFER SYSTEM**

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What was clear, however, was that there was a great deal of uncertainty on both sides as to what complete freedom, with no transfer system at all, would really mean. Economic models might be constructed to predict the future, but it was human beings with their fears and prejudices who would ultimately dictate events.

Harding (1991, p.324)

INTRODUCTION

For the last few months a Belgian footballer Jean-Marc Bosman has been involved in a legal dispute in the European Court of Justice in Luxembourg which presents the most serious challenge yet to the influence football clubs hold over their players. His case concerned the free movement of labour within the European Union as set out in Article 48 of the Treaty of Rome and challenged the rights of professional football clubs to charge transfer fees for players whose contract terms have been completed. Bosman was asking the court to abolish the system of transfer fees which stopped him moving from Belgium's RFC Liege to Dunkerque in 1990, because the French club refused to pay the fee asked by his employers. The preliminary legal opinion from the Advocate General of the European Court of Justice, published on 20 September 1995, found in the player's favour, viewing the restrictions as a

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breach of European law. That opinion was subsequently endorsed by the court in its judgement on 15 December 1995 thus signalling the end of the transfer market in its current format.

There is a long history of the transfer system being defended by the authorities and the clubs as an integral and essential part of the business of football. The system can be traced to a clause inserted in the regulations of the English Football Association in 1885 which required all players to be registered annually with the association. The clause, which was designed to prevent the poaching of players or players club-hopping, instead resulted in the registration becoming something to be bought and sold in its own right (Miller 1993). It is this requirement to transfer the registration which results in one of the most peculiar aspects of the transfer system: a club is entitled to demand a fee for a player even if that player is no longer under contract with them.

Ironically had Bosman been a Scottish player then it is less likely that such a case would have arisen. When his two-year contract with RFC Liege expired, the club offered him a new contract but at a quarter of his previous deal. In Scotland a player is free to seek registration with another club at the end of his agreement. A player's former club is entitled to a compensation fee only if it offers to extend the player's old agreement on no less favourable monetary terms. The transfer fee is agreed between the two clubs or, in default, by a Commission of the International Football League Board where two separate football leagues are involved, or by the Compensation Tribunal of the Scottish League where two Scottish clubs are involved. Under the outdated Belgian system, however, there is no obligation on a club to offer the player a contract which matches his previous terms. If the player does not accept the terms offered to him his transfer fee is set using a formula dependent on his age and salary. (According to the Secretary of the Scottish Professional Footballers Association, however, there is still the potential for a Bosman-type case under the Scottish system, and he refers to 'a handful of players who have been left without wages, yet their clubs have insisted on a compensation fee, even where the players have agreed to sign a short-term deal' (Higgins 1996)).

The success of Bosman in his challenge will have major implications for the world of professional football. Although it is unlikely to signal the end of the transfer fee, the ruling outlaws the payment of transfer fees between EU countries for players at the end of their contract. The ruling does not apply to transfers within an EU member state. Therefore if a player is transferred from

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one Scottish club to another, or from a Scottish club to an English club, it remains legally possible to get a transfer fee as the move occurs within a single EU member state. However it is questionable how long such a transfer system can survive within member states. Legal advice received by the Scottish Professional Footballers Association suggests that a legal challenge to the domestic system would also probably result in its demise (Higgins 1996). The EU Competition Commissioner Karel Van Miert is on record as saying that the issue of transfers within countries now requires to be addressed (Reuters 1996), while Holland's football association (KNVB) have stated that they will officially scrap their domestic transfer system from 1 July 1996.

This article considers the potential consequences of the court case and the abolition of the transfer market for the major participants within Scottish football: the clubs as the major employers in the industry, the players as the employees, and the banks as the main external providers of finance.

FOOTBALL AS AN ECONOMIC ISSUE

Professional football has been played in Scotland since 1870 or thereabouts. The enthusiasm of the Scots for football was such that, before 1900, Glasgow boasted the three largest sports stadia in the world: Celtic Park, Hampden and Ibrox (Forsyth 1992). Although since diminished in size, recent developments suggest that by the turn of this century Scotland will again possess three of the finest sports stadia in the world. To many this may seem odd for a country with a population of approximately 5 million people. No more peculiar, however, than the fact that such a small country should be home to 39 professional football clubs (albeit that some of these clubs could be described as professional only in name) while a country such as England, with a population of approximately 50 million, has only 92 such professional clubs.

These statistics begin to demonstrate the importance of football within Scotland, both economically and emotionally. Many people play football, many attend football matches, many more are committed television viewers of football. The high level of coverage given to football on television and in the press confirms this importance. Indeed it has been argued that it is not merely the scale of such coverage which demonstrates the importance, but also the type of coverage, in which we use sport and, most commonly, football as a substitute for nationhood (Blain and Boyle 1994). This

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importance of football, in the UK as well as Scotland, has long been recognised. The Report of the Committee on Football (Department of Education and Science 1968) under the Chairmanship of Sir Norman Chester described it in the following terms:

Here is a game which provides healthy exercise and pleasure for a million players and as many spectators. It attracts mass press, radio and television coverage ... it is the national game ...
(para. 458)

Football is also now big business. Its changing economic face can be seen in comparing significant financial information for the season 1993-4 with the season 1984-5. In the season 1993-4 the average turnover of the twelve Premier Division clubs in Scotland was £4.2 million (Price Waterhouse 1995), compared to just less than £1 million ten years before. Table 1 shows the increase in attendances over the same ten year period.

Table 1
Attendances at Scottish Football League Matches (thousands)

Season	League Championships and League Cup (all clubs)	League Championship and League Cup (Premier Division clubs)	League Championship (Premier Division clubs)
1993/94	4,194	3,444	3,260
1984/85	3,077	2,070	1,986

Note: There were twelve clubs in the Premier Division in season 1993-4, compared to ten in season 1984/85

Source: The Scottish Football League, Rothmans Football Yearbook 1985-6.

Although gate receipts are still a major source of income, the modern football club is no longer totally dependent on the direct contributions of its fans for survival, with moneys generated from sources such as television deals, sponsorship and other commercial activities becoming increasingly important. For example, slightly less than 50% of the turnover of Rangers for the year ended 31 May 1994 was described as football turnover, with a similar picture for Heart of Midlothian for the same period.

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Average costs for wages and salaries in 1993-4 were approximately £2.2 million compared with approximately £0.6 million ten years ago. The other main expenditure of the clubs in recent years has been on ground improvements. Over the seasons 1990-1 to 1993-4 the Premier Division clubs have spent £47.5 million on stadia and facilities, with a further £33.7 million committed at the end of 1993-4 (Price Waterhouse 1995).

In recent years Scottish football clubs have increasingly recognised the changing climate arising from issues such as the demands of television companies and sponsors and recognised the necessity of operating their clubs as businesses. Increasingly board rooms at the higher levels of the game in Scotland include individuals who have already proved their success in the outside business world such as David Murray at Rangers. A recent example is the appointment by Fergus McCann, chairman and chief executive of Celtic and himself a successful transatlantic businessman, of Brian Quinn, currently senior executive officer of the Bank of England, and Sir Patrick Sheehy, former Chairman of BAT Industries, as non-executive directors of the club (Watson 1996). These business men are seeking to run their clubs along business lines, while continuing to recognise the wider emotional and sentimental issues which markedly distinguish football clubs from other businesses. Perhaps the best demonstration of the two factors coming together was the extraordinarily successful public share issue conducted by Celtic in January 1995, which raised £9.4 million for the club, creating 10,000 new shareholders in the process. Despite January being generally recognised as a bad month for raising capital and despite the general unattractiveness of football clubs as financial investments the issue was oversubscribed some 1.8 times (**Celtic plc Annual Report 1995**).

ACCOUNTING FOR FOOTBALL - A NEGATIVE EQUITY TRAP?

In a survey conducted in 1992, Morrow (1995) identified the accounting treatments adopted by Scottish clubs in respect of transfer fees. Other than Heart of Midlothian each club followed the conventional treatment of charging or crediting transfer fees to annual revenue in the year they were incurred. The policy adopted by Heart of Midlothian involved capitalising those players acquired on the transfer market at their cost of acquisition as intangible assets on the balance sheet. The capitalised amount less an estimated residual value at the end of a player's contract (based on the player's salary and a multiplier based on his age at the end of the contract) is then amortised (or written off) over the period of the individual player's

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contract. The amortisation process is an attempt to allocate or distribute the cost of an asset over the estimated useful life of that asset. (Since the survey a similar treatment has also been adopted by Aberdeen, Celtic and Rangers). At the time of the survey one other club - Dundee - followed the conventional treatment but then reinstated all of the club's players on the balance sheet at directors' valuation. In 1993 this policy was changed with transfer fees paid being capitalised as part of the playing staff fixed asset, net of transfer fees received. Thereafter, the playing staff amount was adjusted to the directors' valuation with the amount of this adjustment being shown as a movement in the playing staff reserve. In the 1994 accounts the policy was again altered with the valuation now being made by an independent panel of experienced sports writers at the year end date. Table 2 sets out the relevant figures for the four clubs for the 1993/94 financial year:

Table 2
Intangible assets and amortisation charges (£000)

Club	Year end	Players' registrations per balance sheet	Amortisation charge	Net assets	Profit (loss) before tax
Celtic	30/6/94	3,883	1,407	16,316	(1,404)
Heart of Midlothian	31/5/94	1,829	56	913	(862)
Rangers	31/5/94	12,188	1,919	42,564	(2,232)
Club	Year end	Fixed assets: playing staff	Revaluation surplus in the year	Net assets	Profit (loss) before tax
Dundee	31/5/94	2,980	994	6,810	67

Note: the accounting policy in respect of player registrations for Aberdeen was changed after the 1995 accounts were published.

Source: Figures from the 1994 published financial statements other than Celtic. The accounting policy in respect of player registrations for Celtic was changed after the 1994 accounts were published. The restated figures were extracted from the Celtic plc share prospectus.

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The effect of the abolition of the transfer is that these clubs will see large sums wiped off their balance sheets because such assets would only have a realisable value if they were sold during the period of their contract.

The consequences for accounting are not necessarily a return to the treatment of immediate write-off through the profit and loss account. Instead clubs will require to use a residual value of zero at the end of a player's contract rather than as at present a value based either on a player's salary and a multiplier based on his age at the end of the contract or some other appropriate estimate. As a result the intangible asset will be completely written off over the period of the contract, resulting in larger charges to the profit and loss account, reducing profit, and a lower balance sheet value for players' registrations. Table 3 demonstrates the estimated effect of using zero residual values on the results of the four clubs.

Table 3
Intangible assets and amortisation charges - adjusted figures for 1994 (£000)

Club	Year end	Players' registrations per balance sheet	Amortisation charge	Net assets	Profit (loss) before tax
Celtic	June 1994	2,897	2,393	15,330	(2,390)
Heart of Midlothian	May 1994	1,048	837	132	(1,643)
Rangers	May 1994	7,908	6,199	38,284	(6,512)

Club	Year end	Fixed assets: playing staff	Amortisation charge	Net assets	Profit (loss) before tax
Dundee	May 1994	1,196	790	5,026	(724)

Note. The adjustments are based on the following assumptions: firstly, that all players are signed on 3 year contracts and secondly, that players acquired prior to the financial year ending in 1993 have two years left of their contracts with the club. No adjustment has been made for gains or losses on the sale of players' registrations during the financial year.

Net assets will fall by 35% for Dundee, while for Heart of Midlothian the fall will be 85%, pushing it ever closer to a position of negative equity . The small profit before tax earned by Dundee would be turned into a significant

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loss, while both Celtic (70%) and Heart of Midlothian (91%) would see significant increases in their losses before tax. These increases are overshadowed by the 192% increase in the loss before tax which would be suffered by Rangers if it was required to revise its amortisation treatment.

The explanations for the most extreme figures found at Rangers and Heart of Midlothian are very different. Rangers would suffer because it is such a big spender in the transfer market, while the Hearts figures highlight the very difficult current trading circumstances of many clubs. Although Hearts have adopted the policy of carrying players' registrations on its balance sheet since the year ending May 1990, it has long been conjectured that many clubs have used the capitalisation of players' registrations as a way of boosting a depleted balance sheet.

ECONOMIC SURVIVAL FOR CLUBS

In terms of the economic reality as portrayed by their financial statements, none of the other Scottish clubs will suffer adversely as a result of the opinion on the Bosman case. In reality, however, all clubs will potentially suffer in economic terms.

Many commentators have been quoted since the case began in Luxembourg warning of impending doom for British clubs. The generally accepted view in football circles has been that victory for Bosman would be the death knell for many clubs, particularly smaller clubs where it is only the occasional outstanding player which smaller teams discover and then sell on which allows them to survive (see for example Gallacher 1995; Rice 1995; Weaver 1995; Touche Ross 1995, p. 28).

This interpretation has been challenged for the Scottish game by Moorhouse (1994), who attempted to investigate in detail the effect of the transfer system on clubs over the period 1982-91, rather than relying on anecdotal evidence. His conclusion was that the transfer system played very little part in the redistribution of wealth from the rich clubs to the smaller ones. There was evidence of some clubs specialising in developing and then selling off talent (notably Greenock Morton and Clydebank) but that this was not a widespread pattern, and indeed there were several clubs for whom removal of the transfer market would increase their financial security. Clubs such as Airdrie, Kilmarnock and Dunfermline in fact made significant net losses from the transfer market over this period. However it is possible that these losses were

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offset either in total or part by other financial benefits received by the club: for example if the club's transfer policy helped it to achieve promotion this might have led to increased gate receipts, improved sponsorship deals, television revenues and the like. The study also demonstrated that both Celtic and Rangers were net spenders in the transfer market over the period, while it was what were described as the mid-rank clubs such as Aberdeen, Dundee and Motherwell which made net profits over the period.

It can be argued then that small clubs will not necessarily go out of business as a result simply of the removal of the transfer system. The majority of transfer activity seems to involve the larger clubs, with little evidence to indicate any filter down effect to smaller club. The smallest clubs for the most part do not seem to rely to any great extent on the transfer market for survival. For many of these clubs survival is an art form. The description of the financial condition of Scottish football by the Royal Commission of Gambling in 1978 perhaps remains just as applicable today for many of these clubs:

the Scottish League, although by no means in glowing health, at least gives the impression of genteel and stable poverty.
(1978, p. 154)

Smaller clubs will be deprived of occasional one-off windfalls from the sale of a player. However, this need not necessarily be entirely negative. Clubs which have in the past relied on the uncertain income which flows from transfers will in future be obliged to ensure that they operate at a level which is sustainable in terms of ongoing operational income. The budgeting difficulties caused by the unreliability of transfer fees were specifically referred to by the Advocate General (Court of Justice of the European Communities 1995a, para. 233, p. 94).

A similar view on the redistributive effect of the transfer system is taken by Gordon Taylor, chief executive of English Professional Footballers Association (PFA) in respect of the English Premiership, where despite the amount being spent on players increasing from £80 million to £120 million in the last year, the amount going to clubs outside the Premiership dropped from £13 million to £9 million (McCarra 1995, p. 17).

Although there may not be much evidence of large sums of money passing from the large clubs to the small ones, abolition of the transfer system would mean that money currently circulating among the top clubs would flow out of

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the industry via the pockets of top players and their agents. Top clubs would be in a position where they would be dealing exclusively with the players, with all benefits of any fee being received by the player and his agent. Free from the burden of paying transfer fees to other clubs, the most successful clubs would be able to target all inducements at the players and their agents. Successful rich clubs would then attract and be able to afford the best players. Attracting the best players would likely lead to greater football success, and thus greater financial success, and so on. Abolition of the transfer system would mean that clubs which have developed these players would not even have the benefit of a one-off transfer fee.

THE ROLE OF THE BANKS

Most Scottish clubs rely heavily on their bankers to provide loan and overdraft facilities. Table 4 shows the banks used by last season's Premier division clubs:

Table 4
Premier Division Clubs' Bankers

<i>Club</i>	<i>Bank</i>
Aberdeen	Clydesdale
Celtic	Co-operative
Dundee United	Clydesdale
Falkirk	Clydesdale
Heart of Midlothian	Bank of Scotland
Hibernian	Bank of Scotland
Kilmarnock	Royal Bank of Scotland
Motherwell	Clydesdale / Royal Bank of Scotland
Partick Thistle	Bank of Scotland
Rangers	Royal Bank of Scotland

Source: The Scotsman 12 May 1995

The combined overdraft of the Premier division clubs at their respective 1994 accounting year ends was approximately £8.5 million, in spite of the fact that

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three clubs, Celtic, Dundee United and Motherwell, were not in overdraft at that time.

Traditionally the banks have adopted a flexible attitude to the funding requirements of clubs, with many clubs continuing to trade solely with the support of the bankers. Despite, in many cases, clubs being in positions of negative equity, the banks are aware of two important factors; firstly, that the club is almost certainly of greater value as a going concern than as a liquidated entity, and secondly, that security for their loans exists in the form of the potential transfer of a player. If a bank does have a concern with the financial position of a club then it can suggest or insist that players be sold. For example Celtic's then bankers, The Bank of Scotland, were apparently instrumental in the sale of Stuart Slater to Ipswich Town in September 1993 for £650,000, a year after he was brought to the club for £1.5 million (Low and Shennan 1994, pp.125, 163). At that time the bank had an agreement with the club by which, for every transfer deal in which the club received more than £250,000, the overdraft limit would be reduced by half that amount (Low and Shennan 1994, p. 184).

The low asset base for Heart of Midlothian shown in table 3 is an example of banks' exposure to football clubs. Excluding any value for its players on the balance sheet, that club would be in a position of negative equity at the 1994 year end. The club's level of indebtedness to the bank at the same date, however, was some £3.6 million.

Other than a club's players, the only notable asset most clubs have is their ground or facilities - assets which are very specialised in nature and for which there is no evidence of an active market. In addition, while a club can continue to trade after selling a player, selling its ground is likely to constitute a more terminal disposal of assets. Success for Bosman means that the banks will be deprived of the only real security that many clubs can offer them. This can be expected to have serious consequence for most Scottish clubs as the banks and the other lenders will be forced to reconsider their level of exposure to football clubs, thus potentially depriving Scottish football of one of its most important sources of finance.

COMPETITION AND INEQUALITY

Unlike other industries the nature of the 'product' in the football industry means that football clubs need to keep their competitors in business. The

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necessity and importance of competition within football has long been recognised (see for example Sloane 1971), a point noted by the Advocate General (Court of Justice of the European Communities 1995a, para. 219, p. 88). One of the concerns of the football regulatory authorities is that the removal of the transfer system may weaken the economic structure of the league, leading to a concentration (or further concentration) of the top players into the clubs with the greatest resources and thus the ability to pay higher wages (Stewart 1986). This concentration of talent would allow such clubs to monopolise the various competitions, thus diminishing the required competition and, potentially, spectator interest. It is argued that the operation of the transfer system minimises the income inequality, allowing the less wealthy clubs to compete for players and as a result for trophies.

The role of competition in Scottish football is slightly unusual, however, given the historical dominance of two clubs, Celtic and Rangers. Sloane (1971, p.125) noted that the domination was so strong that the attendance at their matches on any given Saturday will almost certainly be greater than the combined attendance at all other league grounds. This domination is still evident today. Table 5 demonstrates the two clubs' domination of Scottish football in terms of trophies won.

Table 5
Scottish League Champions
since inception of the Scottish Football League (1890)

Celtic	Rangers	All other clubs	Joint
35	44	18	1

Source: Tartan Special Scottish Football League Review 1994-95

What has traditionally been important in Scotland has been the intense competition and rivalry which has existed between these two clubs alone. It is argued that it is this rivalry that has also allowed both clubs to prosper financially. Although the Louis Schmelling paradox states that sporting competition is more profitable than sporting monopoly, Jennet (1984, p.178) argues that economic collusion among sporting competitors remains the most profitable of all. Murray (1984, p. 1) notes that

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games between Celtic and Rangers are unique in the bitterness of their religious divisions, and this has ensured the financial success of both clubs for most of the century. The title 'Old Firm' was given to these two teams just after the turn of the century, in recognition of the business aspects of their games, a business, it has later been claimed, that is based on bigotry.

Scottish football finds itself in a very unusual position whereby the financial and footballing success of these two clubs seems to invalidate traditional economic theory on sporting competition. The reason for this unique situation comes from the wider sociological and religious factors which surround these clubs (see for example Moorhouse 1991; Horne 1995). The removal of the transfer system could well simply consolidate the position of the two dominant clubs.

Perhaps a bigger danger for Scottish football, however, is that the removal of the transfer system will benefit only one of these clubs, Rangers. In recent years Rangers has moved into a different level from the other Scottish clubs both on the football field and in finance. The following tables demonstrate the extent of Rangers domination of Scottish football in terms both of football success (Table 6) and of financial success (Table 7).

In accounting terms, as we have seen, Rangers is the club which would have the most to lose from the abolition of the transfer market. In the last few years it has become a major international participant in the transfer market. In common with other major teams it would see a major negative short term effect on its disclosed financial position, albeit not quite the 'football version of the Wall Street crash' (Weaver 1995).

Table 6
Domestic competitions won seasons 1985/86 - 1994/95 inclusive

	Rangers	Celtic	All other clubs
Premier League	8	2	nil
Scottish Cup	2	3	5
League/Skol Cup	6	nil	4

Source: Tartan Special Scottish Football League Review 1994-95

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Table 7

Financial performance for 1994 accounting year ends (£000)

	Rangers	Celtic	Average for the other Premier Division clubs
Turnover	15,883	8,734	3,098
Net assets	42,564	16,316	1,438

Source: Figures from the 1994 published financial statements and the Celtic plc share prospectus. The average turnover figure is not directly comparable as it includes net transfer fees for both Motherwell and Aberdeen. Partick Thistle file modified accounts therefore no turnover figure is available.

Economically in the longer term, however, it can be argued that given Rangers relative financial wealth compared to the other Scottish clubs it has the most to gain, and as a result will be able to further monopolise the best available players. In trying to continue to compete with Rangers, Celtic came very close to going out of business in 1994. Despite the subsequent change of ownership and public share issue by the club, financially it continues to languish some way behind Rangers.

It is questionable whether the Scottish game can continue in its present form without the competition on which it has thrived in the past. What perhaps is more likely is that the abolition of the transfer system is another factor which will lead Rangers to consider Europe as their new market place. Should this take place Rangers will find themselves on yet another level. Although their turnover is considerably larger than other Scottish clubs, it is dwarfed by a club such as Manchester United, the turnover of which in 1994 was £43.8 million.

DEVELOPMENT OF YOUNG PLAYERS

The transfer system as it exists at present recognises footballer's skills as 'industry specific' and not 'firm specific' and that thus some form of compensation is required to clubs to compensate them for recruitment and training. The view of UEFA, football's governing body in Europe, is that a transfer fee is in fact compensation for the training and development of a player (UEFA 1993, Article 1). It has been suggested that a consequence of

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the removal of the transfer system would be the abandonment by many clubs of their youth policies, with such clubs instead choosing to rely on foreign imports, the argument being that if there were no transfer fees then there would be no point in clubs spending money developing players.

It is difficult to predict whether such a scenario would occur. But it is worth remembering that evidence suggests the majority of transfers involve established players for whom it is difficult to view the transfer fee as compensation for training and development. For example, in England at present, despite the continued existence of the transfer system, Gordon Taylor of the PFA is quoted as saying:

Everyone is looking for ready made internationalists and not enough attention is being paid to bringing players through from youth level or buying them from smaller clubs when they are still raw.
(McCarra 1995, p. 17)

If transfer fees actually related to identifiable training costs then this type of compensation system would perhaps have greater validity. Such a system does operate in France. When a player is transferred from one French team to another, a transfer fee is only payable if the player is under the age of 23. The fee is regarded as compensation for training and development of the player, and as such is reduced for every year the player has spent with that club after being trained, since during that period the club will have had an opportunity to benefit from its investment in the player. The Advocate General has suggested that it would be desirable to maintain such a system to protect clubs which have invested in youth policies (Court of Justice of the European Communities 1995a, para. 239, p. 95). The Secretary of the Scottish Professional Footballers Association has put forward a 'copyright system', in which, if a young player is trained and developed by a club and he is transferred at any time in his career, a percentage could go back to his original club (Higgins 1996). Dundee United would be an obvious example of the type of club which would be protected by such a scheme. In the past it has prospered by nurturing talented young players such as Andy Gray and Duncan Ferguson before selling them on to bigger clubs. Other schemes which have been put forward as ways to encourage clubs to continue to develop and enhance young players include a 'farm system' whereby bigger clubs would sponsor smaller ones, allowing up-and-coming players to work their way through the ranks (Reuters 1996).

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Players are entitled to view themselves as no different from employees in other industries who undergo some form of training or development, but who do not suffer restrictions on their mobility as a consequence. For example, it is common for many trainee chartered accountants or lawyers to leave their training firm immediately upon qualification. No compensation is received by the firm in respect of the training which has been provided during the employee's contract.

Stewart (1986, p. 25) notes that one of the main problems with discussions of the transfer system is that most analysis adopts a unitary perspective, assuming that playing success is the objective of all the relevant participants in the club, when in fact the existence and operation of the retain-and-transfer system explicitly recognises that without it players would operate in their own and not their employer's objectives. Professional football is a unique career. It is short term, with a player being continually at risk from injury, loss of form, and insecurity of earnings given the operation at most clubs of bonus payments systems dependent on playing success. Players therefore cannot rely on seniority to pursue their career ambition. Players must try to obtain first team status as soon as possible. If this cannot be achieved at one club then it may be in a player's interest to attempt to achieve it at another club. The judgement from the European Court of Justice means that players will be free to pursue their own objective more easily, as a player who is out of contract will be free to negotiate with any other club as and when they wish.

The ruling will not necessarily be good news for all players. The higher echelon of players are likely to see their worth increase and to be able to negotiate shorter, more flexible contracts. For the players outside the elite such benefits may not be forthcoming. One possible consequence is that clubs, particularly those which try to train and develop young players, will try to tie players into longer contracts to protect that investment, thus reducing rather than increasing the freedom of the players. Long term contracts of this nature have been used in the past by some Scottish clubs, most notably Dundee United, with players in several cases (most recently David Hannah) threatening legal action in an attempt to extricate themselves from what they see as unfair contracts characterised by a low basic wage and a clause giving the club the right to retain the player for a further period (Traynor 1996).

CONCLUSION

The opening quotation (Harding 1991) referred to the debate about freedom of contract and the abolition of the transfer system which took place in England between 1974 and 1981. It is no less applicable in 1996.

One of the biggest problems involved in discussing the potential abolition of the transfer system concerns the perspective from which the issue is addressed. From a player's perspective, it is easy to understand why anything short of total freedom could be seen as an imposition. A player is a human being first, an employee second. Players should be free to move between clubs when they are out-of-contract. A player has a moral right to receive financial benefit from transfer fees paid in respect of his skill and ability. From the perspective of top clubs' officials, shareholders and lenders, it is easy to see why any court interference is tantamount to asset stripping. Abolition of the transfer system could see investments such as the £4.5 million spent by Rangers on Paul Gascoigne being rendered virtually worthless. From the perspective of the clubs outside the elite, it is easy to see why they might view the abolition of the system as anti-competitive, leading to further concentration of the top players at the top clubs and acting as a disincentive to continue with youth development policies.

The merits and demerits of the transfer system are easily identified. Reconciling the various affected parties is proving to be more difficult. The judgement from the European Court of Justice has concurred with the Advocate General's acceptance of the case put forward by Bosman. The European Commission has made it clear to UEFA and to national associations that the law must be followed, but has also offered to work with the affected parties to come up with a scheme to replace the existing transfer fee system. The challenge is for the European Commission, UEFA and the international players' union, FIPRO, to devise a compromise that is acceptable to the diverse interested parties, which will safeguard the jobs and career opportunities of footballers in Europe, and which will protect the future of football. Players, officials, administrators and lenders will await the final outcome with some trepidation.

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