

THE ECONOMIC DEVELOPMENT OF THE VICTORIAN FOOTBALL LEAGUE 1960-1984

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I

INTRODUCTION

In the southern states of Australia, Australian football is the most popular spectator sport. Attendances at Western Australian, South Australian and Tasmanian premier league competitions, are in relation to their major city populations, impressive. However, in absolute terms, the most watched competition is the Victorian Football League (VFL). In each of the six seasons 1978 through 1983, the annual attendances for home and away matches exceeded three million persons. In 1981 3,500,000 people attended 22 rounds or 132 matches. This represented an average attendance of approximately 25,000 per match. The grand final regularly attracts a crowd in excess of 100,000.

The popularity of VFL matches is also reflected in the television viewing habits of Melbourne residents. On 21 July 1980, 26% of all households with television receivers were tuned to Channel 7's "Big League", an evening replay of three afternoon VFL matches. At the same time, another 7% of television sets were tuned to Channel 2's evening replay. The Sterling Cup, a mid-week knock out competition featuring predominantly VFL clubs and a few South Australian and Western Australian league clubs, has consistently achieved impressive rating figures.¹ The match of Tuesday 26 July, 1983 (a final) rated 28. The 1983 VFL ratings climaxed in September when the Grand Final was televised live. It peaked at 52. Few other television sports can match the popularity of VFL football.

THE ADMINISTRATIVE AND FINANCIAL STRUCTURE OF THE VICTORIAN FOOTBALL LEAGUE

The Victorian Football League is a collective body made up of twelve competing clubs. Each club appoints one representative to the central and controlling body, the Board of Directors. The Board undertakes the policy making function, which ranges from

deciding whether to increase admission prices to the formula to be used in the distribution of gate receipts.² A secretariat or central office exists to administer policy. It is led by a General Manager, who co-ordinates the activities of five divisions: *VFL Marketing*, which is responsible for the VFL's franchising and endorsement operations, *Media* which serves a public relations function and produces all VFL Publications, the *Company Secretary*, who, as well as undertaking the VFL's accounting and financial reporting function also controls the VFL's own stadium, *VFL Park*, *Administration* which is responsible for the day to day organisation of the VFL's activities, and the *Corporate Planning* section which undertakes analysis of the VFL's long run policy options. The twelve constituent clubs have developed similarly bureaucratic structures. The Club Secretary has been replaced by a Chief Executive Officer who controls the activities of a Promotions Officer, Accountant, Marketing Officer, and Team Manager.

Table One: Sources of Total VFL Revenue

	%		%
1. Gate receipts		6. Sponsorship	
1.1 Home-and-away matches		6.1 Controlling authority (CUB)	2
1.1.1 VFL Park	6	6.2 Clubs - average approximately \$150,000 club	6
1.1.2 Other grounds	18		
1.2 Finals matches		7. Marketing	
1.2.1 VFL Park	6	VFL Marketing (product licensing, insurance)	4
1.2.2 MCG	10		
Total for Item 1	40	8. Club fund raising, business activities, donations and supporter groups (approx. 38 per cent of total club turnover)	22
2. Membership			
2.1 VFL Park	5		
2.2 All other clubs	7		
3. Rental and catering at VFL Park	3		
4. VFL Publications Football Record	4		
5. Television and radio rights	7		

Sources: VFL Annual Reports, Constituent Clubs Annual Reports.

The financial structure of the league has also become more complex. Whereas in the 1960s club finances were predominantly derived from gate receipts, the 1970s and 1980s saw the emergence of additional sources of funds. The relative importance of the sources of VFL revenue are shown in Table One. Gate receipts are still the single largest cash flow item. In 1983, the aggregate turnover for the VFL central office and the twelve constituent clubs was approximately \$35 million, of which gate receipts from home and away and finals matches accounted for \$13 million or 40% of total revenue. Not all gate receipts are distributed directly or immediately to clubs. For all home and away games \$0.25 is taken off the top of every adult admission and put into a ground improvement fund. From the funds remaining the VFL controlling body gets 15%, each of the competing clubs receives 20%, the ground managers (usually the local municipal council) receive 25%, and the remaining 20% is allocated to a common pool or equalisation fund. This fund is divided equally amongst all clubs at the end of the football season. The formula for the distribution of gate receipts from finals is less complicated, After expenses have been allocated and the ground manager's fee paid, net receipts are distributed equally amongst all clubs.

Revenue from the sale of radio broadcasting and television rights has become an increasingly important source of funds. Whereas in 1973 it provided \$200,000, by 1983 it was estimated to be \$2.5 million. This revenue is also distributed equally amongst the constituent clubs. Clubs also rely heavily on membership fees as a source of revenue, which because they are received at the beginning of a season are seen to be an important element in a club's revenue base. Revenue from membership does however vary markedly between competing clubs. In 1980 the Carlton club received \$187,000, while the less successful Melbourne club received \$49,400. On field performance and membership ticket sales are usually correlated, In 1972 the last two placed clubs, South Melbourne and North Melbourne had the lowest membership. In 1980 North Melbourne was placed fifth on the ladder and also had the fifth largest membership.

Fund raising from non-football activities has emerged as a major source of revenue. In 1969 non football revenue (which

includes social club activities, donations, sponsorship and endorsements) comprised only 9% of revenue for the Richmond Football Club. By 1975 it had risen to 18% and by 1980 it accounted for 35% of all revenue. The North Melbourne Football Club, although starting from a higher base, also found itself increasingly dependent upon non-football activities as a source of funds. Between 1965 and 1980 its contribution to total revenue increased from 30% to 48%.

Finally, corporate sponsorship has become an important contributor to club revenue. Whereas in the late 60s and early 70s it was non-existent, by 1983, it was contributing approximately \$120,000-180,000 per club per annum. Each club now has multiple sponsors. The VFL central office has also received corporate support: a Brewery, Tobacco Company and two Motor Vehicle manufacturers figured prominently during the 1980s.

THE PECULIAR ECONOMICS OF AUSTRALIAN FOOTBALL

While the VFL is in many respects a business (its annual turnover is approaching \$40 million), it is a special sort of business with peculiar and contradictory characteristics and structures that make for special problems and outcomes which will be discussed in later sections of this paper. Certainly in a number of important respects this football industry does not fit the conventional free enterprise model.

First, the Victorian Football League is a highly regulated co-operative and in some ways even socialistic institution. It is the VFL Central Office, which, acting through the elected representatives of the constituent clubs, develops "inter firm" agreements in order to eliminate the potential for competition and rivalry. The VFL has attempted to control player payments through the use of a maximum wage system. At the same time, the use of recruitment, transfer and zoning regulations constitutes an attempt to restrict the bargaining power of individual players by effectively tying them to clubs indefinitely. The general aims of these measures are to control the cost structure of the game, and to assure the viability of the constituent clubs and the continued popularity of the league. There is a generally held belief amongst

professional sports administrators that an even competition (i.e. competitive balance) can only occur where restrictions are placed upon club recruitment and player mobility. It is thought that an unregulated competition will lead to predictable outcomes and a falling off in public support, gate receipts and club revenue. These regulations are enforced by the central administrative body, the League itself. The ironic situation usually develops, however, where the clubs, whose representatives on the VFL Board make the policies and rules, are very quick to flout them if they can obtain a competitive advantage or "winning edge" by doing so. The VFL has also developed various revenue sharing schemes. As indicated above, net gate receipts are distributed equally between competing teams. Also, the revenue, from the play offs or finals and television broadcast rights are distributed equally between the twelve constituent clubs. The VFL therefore can be likened to a cartel. In a business cartel the purpose of restrictive agreements and anti-competitive practices is to generate higher profits. In a sports cartel like the VFL the purpose is not to ensure high profits, but rather to control costs and to ensure the viability of the league (and the constituent clubs). Also, behaviour in a sports cartel that might be called "heating" or "unethical" (e.g. recruiting players without permission from their present clubs, playing players without permits, paying players more than the regulation payment) could be seen as sound business practice in a competitive market place.

Second, the "product" to be sold (i.e. the game) is different from other market goods in that it requires the co-operation of two teams or firms. Moreover, the attractiveness of the product to consumers (i.e. the football public) will result from the quality of the game, which in turn will depend upon the closeness of the scores, the number of star players involved, the importance of the match, or the perceived entertainment value (a skilful game or maybe even violent contest).³

Third, the supporter's relationship with the sports institution and its sporting "product" is significantly different from that which the consumer has with business and its good or service. In sport the supporter is simultaneously a consumer of the flow of services being provided by the competing teams and an important

component of the structure and character of the game. The strength of the VFL is not so much the skills of players or the administrative capacity of its bureaucrats, but the passion and loyalty and identification that fans show toward the game. The enjoyment that comes from attending a game is the result of both the interaction between teams and supporters. The supporter is therefore an important contributor to the "game quality" as well, at the same time, being the consumer of the football product.

The fourth point to be highlighted is that the twelve constituent clubs have one overriding goal - winning and team success. Economists prefer to call it utility maximization. Profits are seen as a secondary goal: a premiership is ranked more highly than an operating surplus.⁴ A club is therefore prepared to go into debt if it means high calibre coaches and players can be secured, motivated and integrated into a winning team. To this end, clubs are continually in search of new means of expanding their revenue base (and wage fund) in order to attract premiership players.

Fifth, the cost structure of individual clubs is controlled not so much by internal considerations or by factors in the wider economy, but by developments in the most powerful clubs. For example salary scales will be set by those clubs which have the greater capacity to pay, i.e. those with the largest resource base and wage fund. Inevitably these are the successful clubs. If lower clubs are to compete for players on the transfer market they must be prepared to offer match payments similar to those offered by the large powerful clubs; but to do so may mean overstressing the budget or borrowing funds to finance the payments. If the resultant recruitment does not visibly improve team quality and fan support, then the necessary cash flow to finance the deficit will be unavailable. If, on the other hand the club decides to operate within the budget limitations, then it is not likely to attract the sort of players necessary to improve team quality. The club is therefore likely to remain a low performer, although its frugal spending may save it from financial disaster. The cost structure for the league is therefore set by the market leaders,⁵ and because there are differences in capacity to pay between clubs, the less financially sound clubs will have the dual problem of matching the payments of other clubs to ensure their hold on current players,

and winning enough games to attract the income necessary to remain solvent.

The chronic instability of the league and the desire of clubs to expand their revenue base is, in a large part, a function of the above factors. As the following discussion of the VFL's development over the past twenty-five years indicates, the interests of the league, constituent clubs, supporters and players are frequently in conflict, and usually not simultaneously attainable. Competitive balance and financial equilibrium has been the exception rather than the rule.

II

Money has always played a significant part in the organization and operation of the VFL. Indeed, the formation of the VFL in 1897 (which involved a number of teams breaking away from the Victorian Football Association, Melbourne's original football competition) was in large part the result of disagreement between officials over player payments and the financial arrangements of clubs. However over the last twenty five-years the influence and combination of *money, business the media, technology* and the *law* have created the conditions for radical changes in the form and character of the game.

A number of discrete phases of development can be identified, with each phase corresponding to significant structural and organizational changes. These changes centre around the issues of player payments, transfer and recruiting regulations, club funding, ground rationalisation and league expansion.

PHASE 1 1960-8: STABILITY AND GROWTH

During this period VFL football was not only a part-time activity for officials but also for players, who were required to attend training at most twice a week. As Table Two shows, match payments were meagre. In 1962, they were set at £6.10s. (\$13), which was 25% of the average weekly earnings. By 1968, they had

increased to \$25 (36% of the average weekly earnings). Payments were regulated through the Coulter Law,⁶ which was first set up in the 1930s. Although frequently flouted, it nevertheless ensured that payments varied only moderately between players and clubs. A number of players received no payment at all, preferring to retain their amateur sporting status.

Table Two: *Movements in Average Weekly Earnings and Average VFL Player Payments 1960-84*

	Av. Weekly Earnings (Males)	Av. club Players' Wage Bill/Player Per Match ^(a)	(Equivalent Annual Amounts)	Approximate salary range (b) for contracted players per match	(Equivalent Annual Amounts)
	(\$)	(\$)	(\$)	(\$)	(\$)
1960	45.0	12	(220)	n.a.	
1965	56.5	16	(290)	n.a.	
1968	66.9	29	(580)	n.a.	
1972	95.9	40	(900)	320-700	(7,000-15,000)
1974	126.7	90	(2,000)	500-1,100	(11,000-24,000)
1978	216.0	272	(6,000)	700-1,500	(15,000-33,000)
1980	258.9	482	(11,000)	800-1,800	(18,000-40,000)
1984	375.0	1,000	(22,000)	700-3,000	(15,000-66,000)

Notes: (a) Calculated by dividing senior list of 45 players into average club wage bill per match.

(b) Up till 1983, players on contract were usually the most highly regarded and experienced. From 1984, in the wake of the Foschini case, most players were placed on contract in order to bind them to their clubs.

The VFL like most other professional and semi-professional team sport competitions also operated a transfer, or player reserve system whereby a player, once registered with a particular club, was bound to that club for life. A player could not join another club unless his own club agreed to transfer or release him (i.e. grant a clearance). In addition, the VFL operated a metropolitan zoning scheme which allocated a specific metropolitan region to each of the 12 clubs. Prospective players wishing to play VFL football were required to play with that club to which they were zoned. There was no discretion to go elsewhere. At the same

time, club loyalty was held up as an important value. There was consequently little movement of players between clubs.

Since there was no country zoning, there was frequent competition between clubs for the top country players. The use of lucrative signing-on fees and gifts such as motor cars was the usual method by which players were recruited. Interstate recruiting was not prevalent, although from time to time senior interstate players were enticed to come to Australia's premier league.

In the main, club revenues came from gate receipts and memberships, often as much as 90% of total income. The other 10% came from club fund raising activities and donations. There was no corporate sponsorship; there was minimal income from TV rights and no income from merchandising. Club administrative structures were basic by today's standards, comprising one full-time secretary and typist. Although clubs' financial bases were small (annual incomes varied between \$70,000 and \$100,000), operating losses were the exception and not the rule.

The period was also a golden age for match attendances. In 1962 the average weekly attendance for home-and-away matches exceeded 151,000, a record not surpassed until 1981.⁷ It was also a golden age for the equality of playing strength between clubs. Between 1962 and 1968, nine different clubs participated in the Grand Final; a marked contrast to the last 13 years when only six clubs have played in the Grand Final. The 1960s were also a high point for television coverage of the game. For a time in the mid-1960s all four Melbourne channels provided Saturday night replays of the afternoon's matches. This saturation coverage has not been repeated.

The 1960s was therefore a time when the VFL's financial and organizational structure was unsophisticated, but stable; the players subservient and loyal; and public support high. Apart from the VFL's purchase of market gardens at Mulgrave (an outer eastern suburb of Melbourne) on which to construct its own stadium, the only changes that took place involved the relocation of clubs (e.g. St. Kilda to Moorabbin, Richmond to MCG, and North Melbourne to Coburg). The popularity of the game, combined with its financial stability and competitive balance negated the need for any fundamental change.

The development of the VFL over this period mirrored the economic and political conditions of the time. Prices were stable (the inflation rate was 2% per annum) a conservative government held power, and economic growth was high (4% per annum).

PHASE 2 1968-1972: DECLINE, AND CONSOLIDATION

In 1968 the number of home-and-away matches was increased from eighteen to twenty. In spite of the extra rounds, Table Three shows that total attendance for the year was still below that for each of the previous six seasons. While the average weekly attendance at home-and-away matches for 1965 was 142,000, the 1968 season could only attract 121,000 per round.

Table Three: *Movements in Average Home and Away Attendance for VFL
Selected Years 1923 - 1984*

Year	Average Weekly attendance at home & away matches	Number of Rounds Played	Melbourne Population (million)	Average Weekly Attendance as percentage of Melbourne population
1923	80,000	18	0.870	9.1
1933	97,000	18		
1934	94,000	18	1.100	8.5
1940	76,000	18		
1945	86,000	20		
1947	108,000	19	1.342	8.1
1951	116,000	18		
1954	131,000	18		
1957	141,000	18		
1961	146,000	18	2.010	7.6
1962	151,123	18		
1965	141,698	18		
1968	121,130	20		
1969	124,339	20		
1970	130,172	22		
1971	132,098	22	2.515	5.3
1972	133,405	22		
1973	128,940	22		
1974	125,620	22		
1975	126,171	22		
1976	130,141	22		
1977	126,045	22	2.740	4.6
1978	137,496	22		
1979	140,770	22		
1980	149,096	22		
1981	152,456	22	2.806	5.4
1982	148,377	22		
1983	146,254	22		
1984	134,210	22		

Source : VFL Annual Reports

The problem of declining attendances during the late 60s became a major concern for the VFL hierarchy and provided the impetus for a number of changes to the game. In 1969 the VFL modified the rules in an attempt to make the game more attractive to spectators. Umpires were instructed to award free kicks against players who kicked the ball out of bounds on the full, a change which eliminated some of the congestion that arose from frequent stoppages of play. At the end of 1972 the VFL, believing that the game was still often too congested and slow-moving, decided to introduce the centre square regulation which made it illegal for more than four players from each side to be in the square for each bounce of the ball. The rules worked to the advantage of both spectator and skilled player; play became faster, and less prone to interruption and stoppages resulting from the development of scrimmages and packs.

Not only was the VFL concerned about declining attendances, there was also the concomitant problem of revenue growth to be considered. In 1970 the number of home and away games were increased from 20 to 22, and in 1972 a final five was introduced. This involved a final series in which six matches were played as against four under the previous system. Together with the attraction to fans of the VFL Park (Mulgrave) Stadium, first used in 1970, the increase in matches and gate receipts over the season resolved the VFL's immediate cash flow problem. Commercial sponsorship also emerged in 1968. W.D. & H.O. Wills donated \$12,000, which was to be distributed amongst all the VFL finalists.

This period also saw a significant change to the VFL recruiting rules. In 1969, country zoning regulations were introduced. These worked along the same lines as the metropolitan zones. As a result every potential VFL footballer in Victoria and southern New South Wales became tied to a particular VFL club.

As players became more tightly tied to clubs than ever before, they also became increasingly discontented. During the pre-season period of 1970, Thompson and Tuddenham, two experienced Collingwood players, threatened a walkout unless the club was prepared to contract them for three years at \$6,000 p.a. and \$8,000 p.a. respectively (i.e. \$272 and \$364 per match). The going rate was approximately \$600 p.a. At about the same time five senior Essendon players refused to play in the initial home and away match

as a protest against the level of match payments. The VFL realised that unless it reconsidered its player payment schedule, it might face a serious industrial relations problem. Two concessions were made, the first was to introduce a more attractive player payment schedule, which provided for additional pay for experienced players, the second was to allow players with at least seven years experience to enter into contracts with their clubs. Table Two shows that, subsequent to this show of militancy; players were able to extract substantial increases in match payments. Players had some justification in pressing for increased match payments. Whereas the standard senior match payment in 1965 represented 61% of the average minimum adult wage rate, it had, by the end of 1968 fallen to 51%. The subsequent trade union consciousness that took hold of many players had important implications for future VFL central office player relations as three years later a Players Association was formed.

Although not a time of severe financial instability or dramatic structural change, the period 1968-72 was one of critical re-assessment and the VFL was worried about the drop in attendances. It was decided that modifications to the rules of the game were necessary to retain public support, and to ensure that the game was attractive for television viewers. The VFL also felt it necessary to obtain greater control over ground management. The establishment of VFL Park satisfied this objective. In addition, the signs of a growing professionalism with respect to administrative and financial structures, and player attitudes were becoming evident.

PHASE 3 1972-4: 'THE TAKE-OFF'

1972 signified the break with old traditions, a break best symbolised by the sale of Harrison House, the VFL's long-time headquarters in Spring Street, and the subsequent move to a building in Jolimont Place. It was also the beginning of wider social and economic change. The first Federal Labour government for twenty-three years was elected and world oil prices began their upward spiral.

Ironically the most dramatic change, or break with tradition, resulted from the actions of one of the league's hitherto least prominent clubs. North Melbourne had a history of failure. In the twelve years between 1961 and 1972, the highest position it could

obtain was seventh, and it finished in last position four times. In the early 1970s a number of ex-players and senior officials agreed that the club would succeed only if it had an outstanding coach, a sound administration, talented players and a lot of cash (i.e. an expanded wage fund). Alan Aylett became President; a social club was established; the Club was re-organised; and a full-time marketing manager was employed. Barry Cheatley, an ex-player with the Club and insurance broker was given the job of generating cash from non-traditional sources. This involved setting up a social club and business ventures such as a discotheque, travel agency and a finance company. With the resulting increased cash flow they were able to do three things essential to their future success. First, the Club employed Ron Barassi as a full-time Coach for the 1973 season. (Barassi had a record of success with Carlton.) Second, the Club took advantage of the newly-introduced ten-year rule in late 1972. This rule allowed players with ten years' service to change to any other club without a clearance and, although the rule lasted only eighteen months, North Melbourne was able to attract three of the most successful senior players in the VFL, Davis from Essendon, Rantall from South Melbourne and Wade from Geelong, Finally through selective recruiting from the Victorian Football Association and interstate, they obtained the services of Schimmelbusch, Greig, Cable, Burns and Blight. These initiatives gave the Club second place in 1974 and a premiership in 1975.

Other clubs were quick to see what might happen if a professional administration could raise funds for the purchase of the right coaches and players, and attempted to replicate the North Melbourne formula for success. This, however, created a deal of instability. First, the cost structure of the league altered dramatically in response to the North Melbourne Club's successful tapping of new sources of funds. To compete with North's spending power, other clubs were forced to either broaden their income base or borrow funds. The effect was to increase both the player wage fund and player expectations. Second, clubs recognised the immediate benefits to the team that might flow from interstate recruiting. Third, not only did local star players use their bargaining power to exploit the expansion in the club's wage fund but were also careful to maintain their earnings in relation to interstate

recruits. When clubs failed to respond they were often threatened with a refusal to play or a demand to be transferred to another club. In the latter instance, impending legal action was often included in the demand.. The result was a wage-cost explosion from which the VFL never recovered.

PHASE 4 1974-9: INFLATION, AND INSTABILITY

1974 was the beginning of a prolonged inflationary period that was one of the worst in Australia's economic history. Consumer prices increased by 14% during the 1973/4 financial year, reaching a peak of 17% in the following twelve-month period, and continued to increase at an annual rate in excess of 10% until 1979. In contrast, during the six-year period prior to 1973, the annual inflation rate rarely exceeded 4%. Wage levels exhibited a similar movement, the growth of average weekly earnings peaked at 22% in 1974/5, falling only slightly (to 16%) in the following year.

Table Four: *Movements in VFL Club Turnover and Selected Items of Expenditure (\$000)*

	1965	1968	1972	1974	1978	1980	1983
Avg. annual club turnover	74	93	158	256	684	940	2200
Avg. annual club players wages bill	13	24	39	89	269	477	980
Avg. annual players wage bill per player*	0.28	0.58	0.87	1.97	5.98	10.60	21.77
Wage bill as % of average annual worker earnings	10	15	18	30	52	75	113
Exp. on recruiting and transfers	3.0	5.0	13.0	25.0	58.0	105.0	c180
Avg. club admins. staff wages bill	5.0	8.0	16.0	29.0	31.0	112.0	c280

Note: * assume senior list of 45 players

Source: Constituent clubs, *Annual Reports*.

These economy-wide trends were reflected in the financial affairs of the VFL (see Table Four for details of the movements in average club turnover, wage bills and administrative costs). Between 1973 and 1978 admission prices increased from \$1 to \$2.50, an average annual increase of 20%. Average club turnover increased

from \$256,000 in 1974 to \$684,000 in 1978, equal to an average annual growth rate of 26%. However the most striking trend was the growth in player payments. In 1974 the average annual club wage bill was \$89,000. By 1978 it had increased to \$269,000. Over the same period the average wage bill per player increased from \$1970 to \$5980. This constituted an average annual increase of 32%. Player payments were becoming an increasing burden on clubs (see Table Five). Taking North Melbourne as an example, the proportion of total expenditure accounted for by player payments increased from 27% in 1972 to 41% in 1978 and 48% in 1979. The rapid growth of player payments was, in part, a reflection of players becoming more aware of both their individual and collective bargaining strengths. They realised that the VFL's rules covering transfers were vulnerable if challenged in court. However, the more important factor was the propensity of clubs to use a growing wage fund to attract star players from other clubs.

Table Five: *Payments to Players as a Percentage of Total Income, Selected Clubs*

Club	1968	1974	1980	1983
	%	%	%	%
Carlton	22	36	48	n.a.
Essendon	28	33	48	48
Fitzroy	26	29	58	51
North Melbourne	29	33	46	44
Richmond	20	40	51	n.a.

Source: *Constituent Clubs Annual Reports*

During this period a combination of the uneven financial strength of clubs and escalating costs caused several clubs to suffer financial hardship. In 1978 operating losses were incurred by Richmond (\$25,000), Melbourne (\$30,000), St Kilda (\$100,000) South Melbourne (\$111,000) and Fitzroy (\$120,000). The poorer clubs, while not able to generate income at the same rate as the more powerful clubs, would nevertheless compete against these clubs for the services of star players. The bidding for players further increased their market value and the cost to clubs.

Over this period clubs were successful in further lessening their dependence on revenue from gate receipts and membership fees. Whereas for the Essendon Club these two items accounted for 80% of total revenue in 1972, they contributed only 58% in 1979. All clubs were beginning to exploit other income sources and by doing so radically restructured their financial base. It was also a time when clubs believed they could raise extra cash by setting up their own businesses, following the North Melbourne move. However, the Carlton experience, which involved the establishment of a number of business ventures, which incurred losses, showed that fiscal fingers could be burnt.

1976 saw the emergence of large-scale corporate sponsorship. Phillip Morris (Marlboro) took over from Wills as the sponsor of the final series, providing \$150,000. Over the next three years clubs began to attract corporate sponsors who would contribute up to \$100,000 a year to the club's finances in return for free advertising around the ground and on players' uniforms.

The VFL Properties Division, later to become part of VFL Marketing, was also established in 1976. The role of Properties Division was to obtain royalties from companies in exchange for VFL endorsement of their products, and use of the VFL logo. It quickly became a million-dollar enterprise.

Television developed a close relationship with VFL during this period. At the end of 1976 (the year in which colour television was introduced in Australia), the VFL entered a five-year agreement with ABC and HSV giving them the replay rights for home-and-away games for approximately \$3 million or \$600,000 a year; compared with \$200,000 for each of the previous five years. In 1977, the VFL received another \$200,000 from HSV for the revamped night series at VFL Park - called the Amco Cup after the major sponsor. In 1977 the Grand Final was televised live for the first time. The VFL received another \$100,000 for that and, since the match was drawn for the first time in VFL history, for the replay as well. In all, in 1977 the VFL received close to \$1 million for the broadcast rights of its games, a substantial amount when it is considered that the annual club turnover at this time was about \$700,000 (although, when distributed twelve ways, it provides only \$80,000 to each club).

By 1979, the paradoxical stage had been reached that, although club revenue had grown faster than any time over the past two decades (annual incomes for clubs were approaching \$900,000), an increasing number of clubs were running a deficit.

PHASE 5 1979-1982: BUREAUCRATIC AND COMMERCIAL ENTRENCHMENT

The nexus between business and football reached its peak during this period. Grounds had become covered in advertising hoardings, logos and names of corporate sponsors began to appear on players uniforms, and sophisticated electronic technology, in the form of giant video screens were introduced to the major stadiums. At the club level, a number of well known businessmen were elected to senior committee positions (usually as president) in the belief that their corporate success would be translated into premierships. The organisational structure of clubs replicated that of the private business firm. A full time staff of 15-20 included an executive director, marketing manager, finance manager, football manager and promotion and development manager. VFL Marketing had undertaken a number of successful product licencing arrangements with large corporations and the funds obtained from corporate sponsors had reached record levels. Television audiences for both Saturday replays and night games were high, and VFL Park had become the most popular venue for home-and-away games.

The VFL believed that the benefits of a close relationship between itself and the corporate world were confirmed by the increase in attendances (see Table Three), and the VFL hierarchy were confident that sound financial management and marketing principles could be applied just as effectively in sport as they could in any other industry or market. Football was now a 'sports business'.

While the champions of free enterprise were gaining control of football, it did not prevent them from agreeing to further restrict the activities of players. In 1979, amid a VFL Players Association threat of strike action if their submissions on player payment schedules were ignored, regulations were introduced which effectively created maximum income levels for players (commonly known as rule 11). Being difficult to enforce (largely because club officials chose to ignore it) it was dropped at the end of the 1981 season. Although rule 11 was introduced as a mechanism for curbing

the growth of club wage bills, it did not prevent player payments increasing at a rate substantially higher than the general level of wages (see Table Two). The 1981 average annual football earnings of players (\$12,000) was 80% of average annual earnings in the wider economy. In contrast, the average annual football earnings of \$6,000 in 1978 was only 52% of average annual earnings. A number of players earned in excess of \$30,000 a year.

The VFL concern for regulation was also evident when, in 1982, an interstate draft was introduced in an attempt to control interstate recruiting and transfer fees. At the same time players were more prone than ever before to switch clubs in search of a secure place in the senior team or a more attractive match payment. This decline in club loyalty by players was mirrored in the lack of player loyalty shown by club officials, who were quick to discard players, even if they had shown loyalty to the club, who had lost some skill or speed, or who no longer fitted into the team profile. Large-scale interstate recruiting also continued. South and Western Australian club officials were increasingly concerned over the drain of talent to Victoria.

The play patterns of the game also changed over this period, but not in the risk averse or conservative way that one may have associated with the stereotype business image. One might have expected the game to become less attractive as coaches and players, to ensure their places in the club/team, adopted all the defensive measures necessary to avoid losing. In fact, in many respects the game became more attractive. For example it became free-flowing and more creative as the result of the emergence of offensive handball, the wide receiver, and lateral and back passing. Players' skills also improved as a result of greater training commitment, a direct consequence of the available financial rewards. By 1980 nearly all players could kick and handpass with either foot; in the 1960s this was unheard of. Players were as fast as their predecessors, but now stronger and fitter. Football had become a craft, a career.

Toward the end of this period the VFL drive for expansion was meeting some resistance from both government and the public. For example, the previous Liberal Government allowed a few pilot Sunday games at the MCG during 1981, but in October of that year voted

against all future Sunday football, in spite of a commissioned report which was only mildly critical of the idea.⁸ In addition, in 1982, the present Labor Government, and Mr. Tresize (Minister of Sport) queried the wisdom of the Grand Final being shifted to VFL Park and refused to provide funds for the upgrading of transport services around the stadium. The State Government argued that it was not prepared to stand by and see the VFL disregard the public interest in its drive to increase its power and profits. While the VFL claimed that the move to Sunday football and a VFL Park grand final was in response to public demand,⁹ the more likely motive was to increase VFL revenues.

The decision to relocate South Melbourne in Sydney and rename the club Sydney Swans was resisted by South Melbourne Club members, who felt that the club would be better able to survive in Melbourne. The VFL Board rejected the members complaints, and argued that the move to Sydney would generate additional income for the club as well as attract home crowds of at least 20,000 a game. The Sydney market proved to be significantly less attractive than first thought. For the 1982 season the average home crowd was less than 15,000.

Although this period was for the economy as a whole, a time of severe unemployment and reduced living standards, it did not prevent fans from attending games. It appeared that in spite of public criticism about the direction the game was taking, commercialised football was in the short term at least, good for business.

PHASE 6: THE STRUCTURAL AND LEGAL CRISES

By 1983 annual club incomes had passed the \$2 million mark, and club player wage funds were approaching \$1 million. However, this rapid growth in club turnover was once again exerting pressure on the budgets of the poorer clubs. St Kilda and Sydney Swans were both finding it difficult to continue to trade profitably. In particular the Sydney Swans found the costs of relocation higher than prior central office estimates. Their financial problems were increased as a result of poor playing performances and subsequent fall in attendances. The club was financially dependent upon its share of television rights for its home games, and corporate sponsorship. By the end of 1983 four other clubs were in financial

trouble; Collingwood, Footscray, Fitzroy and Geelong were all facing a working capital problem. Balance sheets indicated that current assets were significantly below the level of current liabilities. They were technically bankrupt.¹⁰

However, the recurring inability of clubs to balance budgets was overshadowed by the decision handed down in April 1983 by Mr. Justice Crockett of the Victorian Supreme Court in the "Foschini Case". Silvio Foschini, a South Melbourne/Swans player who did not wish to live and play in Sydney, had a clearance application to the St Kilda club refused. He took legal action, claiming restraint of trade. Unlike previous cases, which were always settled out of court, the Sydney Swans, who believed that St Kilda, by illegally approaching players had undermined the stability of the club, refused to negotiate. Crockett judged that the VFL's zoning, clearance, transfer and poaching rules were illegal, and constituted an unreasonable restraint of trade on professional footballers. The VFL was subsequently forced to limit its restrictions on player movement between clubs. Although the zoning regulations were retained, players were able to become free agents upon expiration of their employment contracts with clubs. The result was a further escalation of club operating costs as club officials competed for untied players.

At the same time the VFL Central office hired the management consultants, McKinsey and Co., to investigate the structure of the VFL and its decision making procedures. The McKinsey report concluded that the VFL'S decision making structures were inadequate, and that the scale of the game was making it difficult for Melbourne to support twelve teams. As a result the VFL set up a task force to investigate in detail the current state of VFL football and to recommend on structural changes (such as ground sharing club relocation and decision making) which might be required.

By 1984 a number of club officials were expressing concern that the traditional structure and operation of the VFL was inappropriate for a game with its financial superstructure and scale of professionalism. Increasingly the solution to the VFL's internal problems was seen as first, a governing board or Commission which was independent of club interest;¹¹ second a rationalisation of venues for games; and third the gradual movement to a national league.¹²

The uncertainty and instability that surrounded the VFL throughout this period was mirrored in the behaviour of fans. Not only were they publically critical of VFL management, they increasingly did not attend matches. In 1981 the average weekly crowd size at home and away matches was 151,000. By 1983 it had fallen to 146,000 and by 1984 it had fallen to 134,000.

The market for the VFL product was once again in decline. While, on one hand, the modernists were wanting to move football into expansion and a commercialised era, the traditionalists were increasingly distancing themselves from the game, and blaming the central office administration for removing the game from its traditional source of support, the suburban, working-class family.

At the end of the 1984 season the VFL was in disaray. Both the State government and the print media had little confidence in the capacity of the VFL hierarchy to act in the interests of the football public; fans felt alienated from the VFL's decision making processes; Central Office staff and club officials could not agree on the direction the game should take, and six clubs were technically bankrupt.¹³

This is not to say that all of the problems that emerged over this period were avoidable. Many of the issues and problems that faced VFL were not just a reflection of incompetent management, self-interested players or the increasing involvement of the electronic media and business moguls in the running of the VFL's affairs, rather, they were symptoms of first, the transition from the world of parochial amateurism to a broad-based, professional competition, and second, the internal contradictions of the competition itself.

Recent developments would indicate that the football-business nexus is still not complete. In the same way that business believe that external support is often necessary to maintain the viability of an industry (e.g. government assistance to the motor vehicle industry) the VFL considers that external support from the corporate sector may be necessary to maintain the viability of the football industry. There is a growing belief that the VFL should embrace the USA sports model and convert the clubs into franchises which can be sold to business firms and private entrepreneurs. The total commodification of the game would then be realised.¹⁴

CONCLUSION

While the commercialisation of the VFL has created a scale of operation which allows many players to earn a major part of their total income from the game, it has neither assured clubs a profitable level of trading nor provided the league itself with competitive balance. The competition is still dominated by a few clubs, and the viability of the remaining clubs continues to be threatened.

Viability is a function of two factors, first the closeness of the competition both within and between seasons (since an even competition will make the game attractive for spectators, and allow all clubs to benefit from any increase in revenues) and second the cost structure of the league (since stable costs will make it easier for weaker clubs to trade profitably). The worst situation the league could face is a persistently uneven competition coupled with continually rising player payments and club administration costs.' In other words, if an increasing scale of operations (e.g. club operating costs increase) is combined with unequal club playing and financial strengths (e.g. clubs capacity to pay varies) the conditions are created for chronic instability.

The league can therefore aim to ensure a viable competition by taking one or more of the following courses of action:

- a) Redistribute playing talent from the stronger to the weaker clubs in-order to achieve playing equality.
- b) Minimise the growth in club costs and regulate player movements through the use of player payment controls and transfer and zoning regulations.
- c) Redistribute League revenues in order to equalise the financial strength of clubs.

Like most professional team sports leagues in the USA, the VFL has opted for the second approach. There is little evidence however to show that it has been successful.¹⁵ The alternative solutions therefore deserve careful consideration.

The revenue sharing solution provides a financial safety net of sorts, but is not usually sufficient to produce equitable

financial bases for clubs. Variable management skills and administrative structures will produce variable financial outcomes, particularly with respect to non-football income sources.

The player redistribution solution is more radical and just as interventionist. It requires a comprehensive draft scheme whereby the worst performed teams have the choice of the best performed players who are not contracted to clubs. This scheme however will fail if poor clubs trade their best recruits to other clubs in order to balance budgets.

No single scheme by itself will be able to ensure long run league viability. Recent American evidence tends to indicate that a combination of revenue sharing and player drafting may best be able to ensure some semblance of parity.¹⁶

The most destructive combination is likely to be a reduction in revenue sharing arrangements and the retention of the player zoning and permit system. Such an arrangement would put the poor clubs at such a financial disadvantage that their only means of survival would be to trade their best player to the wealthiest clubs. The result would be the perpetuation of a two tier structure; the poor and unsuccessful, and the wealthy and pennant winners. In the long run, not only would the lowly clubs struggle to survive but the league as a whole would be threatened. Fundamentally many fans will only watch matches if they are likely to be "close encounters? The less playing equality between clubs the less support the league is likely to have.

The VFL possesses a number of strengths. It is an inherently attractive, free flowing, spectacular game; it has a strong supporter base (that is a high degree of consumer acceptance) and is able to generate substantial revenue, much of which can be invested in junior football developments. It has also profitably utilised the new technology such as network television, outdoor video screens, and advanced floodlighting. On the other hand, it has some fundamental weaknesses. It is the major winter sport only in the southern states; it is not an international sport; many of its permit rules are not legally enforceable; its grounds are not used efficiently; the competition is dominated by a few clubs while other clubs are close to insolvency; and its decision making structure has acted against the development of broad-based long-term

policy changes which might benefit the league in preference to particular teams. Unless a number of these weaknesses are eliminated they are likely to create the conditions by which the league's strengths are undermined. If the football fans decide that the Australian Football product is over-priced, of poor quality (e.g. the game outcome is highly predictable), and poorly packaged (e.g. venues are poorly serviced), then they will direct their preferences elsewhere. Unless the VFL can give fans the product they want at a price they can afford then the future growth of the game is under threat.

NOTES:

1. Ratings are measured as the proportion of all television households that are tuned to a particular program. Ratings figures were taken from McNair Anderson, *Television Audience Survey 1980-1983*.
2. The League's decision making structures were altered in November 1984 when the Board of Directors was complemented by a Board of Commissioners who were to be independent of individual club interests.
3. For a detailed evaluation of factors affecting game quality, see H. Demmert, *The Economics of Professional Team Sports* (Lexington Books, 1973), 10-15.
4. This proposition has been tested and supported by P.J. Sloane, 'The Labour Market in Professional Football', *British Journal of Industrial Relations* (1969) and B. Dabscheck, 'The Wage Determination Process for Sportsmen', *Economic Record* (1975).
5. In the VFL the market leaders have been Carlton, Collingwood, Richmond and Hawthorn.
6. The *Coulter Law* was introduced in 1930 in an attempt to standardise match payments. The regulation payment was initially set at £3 (\$6) and subsequently adjusted in response to average weekly earnings and the cost of living. The law was maintained until 1969 with varying degrees of success.

7. Yet, although 1981 was a record year for total attendance, the percentage of the Melbourne population which attended was well below the levels achieved during the 1920s, 1930s and 1940s.
8. The Dept. of Community Welfare Services report on *The Community Effects of VFL Sunday Football* (1981) described some of the deleterious effects (traffic delays for non-football motorists, congestion disrupting local residents, loss of use of local parks), but did not view them as sufficiently severe to warrant prohibition on Sunday games.
9. As it turned out, two trial Sunday finals games played during September 1984 did not attract many more fans than normal Saturday finals.
10. The Victorian State Government subsequently sought a guarantee from the VFL that it would underwrite total club debts up to \$6 million.
11. In November 1984, the Task Force recommended to the VFL that the Board of Directors be replaced by an independent Board of Commissioners.
12. Although the VFL did not agree to the development of a national league in 1985, it is likely that a national league, coordinated through the VFL, will be introduced in 1987.
13. For a useful summary of the major concerns that the public had about VFL operations see G. Hutchinson, 'Football Finis?', *National Times* September 21, 1984.
14. Clubs are already privately owned in the Sydney Rugby League (Canberra) and the National Basketball League (Sydney and Geelong).
15. See, for example, B. Dabscheck, 'Sporting Labour Markets and the Courts', *Sporting Traditions* (forthcoming).
16. See E. Lock & M. Gratz, 'The National Football League Player Draft - Does it Equalise Team Strengths?', *Journal of Sport and Social Issues* 7, (1983).