

Culture, Media and Sport Committee

Oral evidence: Football governance, HC 471

Tuesday 16 January 2024

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Members present: Dame Caroline Dinenage (Chair); Clive Efford; Julie Elliott; Damian Green; Dr Rupa Huq; Simon Jupp; Alex Sobel; Jane Stevenson.

Questions 1 - 103

Witnesses

I: Richard Masters, Chief Executive, Premier League; and Rick Parry, Chair, English Football League.



Examination of witnesses

Witnesses: Richard Masters and Rick Parry.

Q1 **Chair:** Welcome to the meeting of the Culture, Media and Sport Committee. Our session this morning follows our previous work on football governance and the need for a new financial deal for the football pyramid and looks ahead to the introduction of the football governance Bill, which the Sports Minister told us was coming in the next couple of weeks. We live in hope. We are joined by Rick Parry, the Chair of the EFL, and Richard Masters, the Chief Executive of the Premier League. Welcome to you both. Before I start the questions, I remind members to declare any relevant interests.

Richard, I will start with you. Why did you pause discussions with the EFL on the new deal just before Christmas?

Richard Masters: I will start by giving you a progress report, which is the best way of doing it, and I will get to the point about where we are in the process at the moment.

From when we last met as a committee and discussed it, I know it is the strong preference of this group that football finds a way forward, and that football finds a way to do a deal and removes the need for a regulatory intervention at some point in the future. We agree with that and we have been working towards that over the past six to nine months.

Going back to November 2022, the Premier League got a mandate from its clubs to negotiate with the EFL and the FA on a whole host of issues that we felt needed reform—and indeed EFL and the FA agree with that—not just finance but also regulation, the calendar, immigration policy, and all sorts of other issues. We have made very good progress on a lot of those issues. In fact, in the summer we agreed a deal with the FA in principle on a number of different points on calendar and grassroots distribution, but an agreement with the EFL remains elusive. We have been swapping proposals with the EFL over the course of the summer and into October and had counter proposals back. I think the list of issues between us is relatively slim but they are critically important issues.

We are now at the point where our clubs want to see all the detail before we agree everything. We are in a situation where everything has to be agreed before anything is agreed. I accept that there are some frustrations around this table and it is the view of Government that we should come together, but it is still my view that the Premier League itself and the clubs would prefer a solution. We had two shareholder meetings just prior to Christmas where we tried to move this forward and resolve it.

Chair: Can you speak up a little bit? I am struggling to hear you. I do apologise.



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Richard Masters: I am doing my best. I am speaking at full volume. Just prior to Christmas we had two shareholder meetings where we discussed the new deal in depth. Again, the commitment was to try to move things forward. We have not found the solution yet and we will come back to it in our next meeting in February.

Some of the issues that are still at debate between us and internally in the Premier League itself are about trying to find a resolution on exactly how the financial regulatory system will work in the future—there is an area of disagreement that remains between us on how cost controls will work. Obviously, if you are going to put more money into a system, that system has to be properly regulated. The watchword of the day is financial regulation within sport and within football, and a system has yet to be fully agreed on how championship clubs, relegated clubs and premier league clubs operate a common system.

Q2 **Chair:** Is the regulation your sticking point at the moment?

Richard Masters: It is one of the sticking points. Internally, our clubs also want to understand how the financial regulatory system will work in the premier league before agreeing how this whole system will work together. It is a big change and since 2007, when solidarity payments started, we have managed to agree significantly improved deals over the course of that time, absent the glare of publicity—by ourselves, bilaterally, by negotiation. This Bill is a little bit different. This is in the public eye. It has a third party involvement, which is a prospective regulator in the future, but again it is another reform that we are seeking to bring to bear.

Q3 **Damian Green:** That is the overall context. There is some confusion about the actual numbers that are flying around. There have been reports that the latest package is £925 million over six years, potentially reduced to £881 million if an immediate £44 million payment is ratified, but there have also been reports that the £44 million offer is in fact £88 million. Can you clarify what numbers you are talking about?

Richard Masters: I don't particularly want to go into all the numbers but I hope I can answer your question properly. In essence, the core of the deal—this is one of the things we have agreed upon in principle—is that in the future the Premier League and the EFL will pool net media revenue together, put it into one pot and essentially divide it. We have spent a lot of time trying to work out where the current situation is and if that change is made in the future what would be the right percentage going forward. Essentially, solidarity has doubled. If that system is agreed it will kick in in 2025-26. That will be the first year when it works in full. For this year and next we have been discussing what the appropriate amounts are to put in in advance of that full system coming into play. Obviously, we have had the elapse of time, but the core offer has not changed at all. The offers in the early years are still debating with the clubs.



Q4 **Damian Green:** I get the point that you are still arguing about numbers so you cannot give exact figures, but whatever that number is, is the total amount acceptable to the EFL, Rick?

Rick Parry: We are prepared to accept the amount that equates to 14.75% of the net media revenue. Over the first five years of the deal, bearing in mind the transitions, it equates to around £125 million a year. It is a significant amount. What it doesn't do is address any of the concerns that the Government set out so eloquently in their response to the White Paper—the gap, the cliff edge, the major divide between the premier league and the championship. It certainly does not do anything to get rid of the perverse incentives that the parachute system creates. It is a step in the right direction but it is not the right answer.

We are very committed to the regulator, as you know. We are very committed in particular to carrying out the independent review of the football system. Our belief is that when that review is completed it will show that there is still a major systemic issue. We want the deal. We do understand the time value of money and it is perhaps slightly poetic that in a sense we started this four years ago before this very Committee when I appeared in May 2020 and we said that we needed a major financial reset. Getting that money early, of course, is great for us but, as I said, we don't feel it addresses the major problems that still face the game.

Q5 **Damian Green:** Is that a deal stopper?

Rick Parry: No. We want to do the deal, but our point is and has always been that nothing must prevent the regulator from achieving its primary strategic objective of securing the sustainability of the English pyramid.

Q6 **Damian Green:** Moving back to Richard, it feels like a lot of the big issues are now going to be left to the regulator.

Richard Masters: Not necessarily. It can come together. One of the points that we are debating is the certainty of the deal. This is a six-year arrangement to start the season at some point and go straight through to 2028-29. It is a six-year arrangement. A regulator will come in mid-term during that arrangement and our clubs would like to understand that the systemic changes we are making will stick. On the face of it, there is some uncertainty about that and that has been expressed by Rick this morning.

Q7 **Damian Green:** One of the points often made is that effectively it is difficult for the premier league clubs themselves to be united because there are the big clubs—we can argue the figure, call it six for the point—and the rest. Is that a problem for you trying to corral them into one common position?

Richard Masters: It is historically very difficult to corral football clubs into common positions on issues like this, but we have had an enormous amount of consultation with the clubs on this particular topic. We don't



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believe we have lost our mandate that we got in November 2022. In our November 2023 meeting we went around the room and asked everyone their opinions, and the vast majority of clubs want to do this deal or want to do a deal, provided it is right for both parties. I think one of the key concerns is certainty. We are moving into a different regulatory environment. I have to resolve those issues and try to move forward.

Q8 Chair: Where do the fans come into this? The fact is that most people are not just fans of a particular premiership club, for example, they are fans of football, and most premiership fans will have a lower league club that they also support. People want to see this work together. Do you not feel that you have a duty to look after the fans and to come to a satisfactory arrangement as quickly as possible?

Richard Masters: At the end of it, it is fans who matter. Without fans we don't have a game. In the end, it is up to the leaders of the game to come together on big issues, whether they are about financial regulation or any other big topic within the game. I think we both fully understand our responsibility to do what is best for the whole game. Premier League has been happy to share its success for a very long period and, of course, while we have many issues within our game, I think other parts of European football would very happily swap their problems with ours. We have some fantastic stories to tell. The English football pyramid is envied all around the world so I don't like to paint the picture that there are huge problems within the game. There are issues to fix, there is no doubt about that, and we try to fix them as best we can and do that quickly, but there is much to be celebrated as well.

Q9 Simon Jupp: Good morning. Richard, I will start with you. Is there an agreement among all premier league clubs on the mechanism to calculate how much each club will contribute to the total amount passed to the EFL?

Richard Masters: No, and I will just put that into context. There needs to be an agreement because the existing mechanisms that are in place do not cover the particular formulation that we are trying to do, so there needs to be a fresh agreement on how this will be funded. We have made proposals to clubs and they are considering them. We don't have a unified position on it yet, so that is another thing that we have to agree with clubs.

Q10 Simon Jupp: You are saying you have made proposals to the clubs. What are your proposals?

Richard Masters: Our proposals in broad terms are to use some of the existing mechanisms and cost allocations within the premier league rulebook at the moment and to increase the transfer levy by a small percentage. The transfer levy is currently 4% and we make a small increase in the transfer levy to pay for part of it.

Q11 Simon Jupp: What are the other mechanisms you mentioned before that?



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Richard Masters: The other mechanisms are the basic cost distribution methods within the premier league rulebook.

Q12 **Simon Jupp:** Why do you think that is not reaching agreement with the clubs? What are their concerns?

Richard Masters: It is a significant sum of money and there are differences of opinion about how it should ultimately be funded. As I said, I think we will find a solution to that. Perhaps more important is that we find the right mechanisms and the right policies to unite the clubs around the deal itself.

Q13 **Simon Jupp:** Are there any particular clubs that are more worried about this than others? Do the ones that make the most money have an issue with it?

Richard Masters: Not necessarily, no. I think the concerns are commonly held. They may come at the issue from different angles, but it is not any particular club or group of clubs that are concerned about it. The concerns are widespread.

Q14 **Simon Jupp:** How far away do you think an agreement is?

Richard Masters: Our next meeting is in February. We have a two-day meeting. We do that twice a year in February and June. On the first day we will be talking about financial regulation. I don't know whether it is known but we are contemplating making some changes to the current system we have, the PSR system, over time. We have some proposals out for consultation with our clubs about moving and aligning more with the UEFA system. UEFA has spent two years changing its financial regulations over the past number of years away from what used to be called FFP to something called squad cost ratio, which is a different calculation, more of a wage to turnover ratio type calculation. Over time we have historically aligned with UEFA because seven or eight of our clubs are in European competitions and we need to consider whether that is an appropriate move for us and how we do that and when.

That is a large chunk of day one and on day two it is a normal shareholders meeting where we will be discussing the new deal again.

Q15 **Simon Jupp:** Would you expect a resolution during that conference next month?

Richard Masters: I expect us to move forward. I don't necessarily expect it to be the moment when we formalise things, no. We need the time to make sure that all aspects of the deal are fully understood by everybody.

Q16 **Simon Jupp:** If no agreement is made next month and this continues to rumble on and on and on, how will you manage to corral the clubs to get to an agreement? How can you do that?



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Richard Masters: In the normal way, by talking to them and meeting with them and we have scheduled meetings—

Simon Jupp: This could push it down the road—

Richard Masters: No, it is not. In the end it gets to the point where hopefully we can come to an agreement about what to do.

Q17 **Simon Jupp:** If you do not?

Richard Masters: Then we are in a no-deal scenario if we get to that point.

Q18 **Simon Jupp:** Then what happens, from your point of view?

Richard Masters: The existing agreements remain until we change them.

Q19 **Simon Jupp:** It feels like this could be kicked down the road.

Richard Masters: I should make it clear that there is no cliff edge in premier league funding. Our agreement remains in place and will remain in place until it is changed. There is not an issue at the moment.

Simon Jupp: Forgive me, it feels like this could be kicked down the road for months, for years.

Richard Masters: You are trying to prompt me into telling you when it is going to happen.

Simon Jupp: No, I am not. I am trying to understand how urgent you consider this to be.

Richard Masters: I consider it to be the number one priority of the Premier League and I have said that quite a number of times. I want to come to a conclusion on this process.

Q20 **Simon Jupp:** Okay. Rick, is there anything you want to add to this discussion, any thoughts about mechanisms or what you have just heard about timescales?

Rick Parry: We are concerned about timescales. A point I would like to add is that this is a very topical week. We have eight FA cup replays, eight EFL teams involved. Next week we have two finely poised semi-final second legs of the Carabao Cup. We know there are challenges with the calendar because of additional UEFA games, champions league debts. Premier League's position has been that the rest of the game has to change and move to accommodate them. We suggested the remedy was in the Premier League's hands. If it were to reduce to 18 clubs, that would solve the problem. That did not seem to go down very well.

As part of the total system and as part of a new deal, we are prepared to take on board considerable loss of revenue to our clubs from loss of FA cup replays, from the second leg of the Carabao. We are absolutely not



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prepared to concede those on the basis there is no deal. There is no presumption that the Premier League can just change the fixture schedule and we will fall into line without proper compensation. That is becoming urgent because the Premier League has already published its fixture schedule for next year, a fixture schedule that we have not agreed to. In a sense, that is the most urgent thing.

Clearly, we would like some money as a matter of urgency but we have wanted that since 2020. Our clubs will probably survive. It is more important to us that we get the right deal and more important to us is that this is not about the EFL versus the Premier League. This is about the future of 100 clubs and the pyramid. Just over 30 years ago, in 1991-92, we voted on the constitution of the Premier League and we made it happen. Three of the clubs that were around the table then—Luton Town, Notts County, Oldham Athletic—who played a key part have been down or are down in the national league. Luton have bounced straight back into the premier league; Notts County rejoined us; Oldham is still in the national. That is the essence of the pyramid. That is why the pyramid matters.

Another point I would like to make on that, which I think is a really telling one and perhaps sums up where we are coming from, is the 14 clubs who are the non-permanent members of the premier league have been in the premier league for an average of 13 years each. The 14 clubs in the EFL who had the longest tenure while they were in the premier league ironically have also had an average of 13 years in the premier league. They have made an equal contribution over time to the success of the premier league. This season the 14 clubs in the premier league will receive £1.8 billion between them in media revenues; the 14 currently in the EFL will receive less than £90 million, less than 5%. That is the chasm we are trying to bridge.

Q21 Simon Jupp: Does it feel to you like this is the number one priority for the Premier League?

Rick Parry: The Premier League could have chosen to do this deal, frankly, any time over the last 30 years. We would say it has chosen not to. In the last three years since we have been addressing this in earnest, the premier league clubs have chosen to increase their wages by £500 million. This is choice. This should be done and it could have been done.

Q22 Jane Stevenson: Richard, do you expect all the premier league clubs to agree in the end or are you aiming to get 14 clubs, a minimum, and then will you decide that is enough for an agreement?

Richard Masters: Clearly, I would much prefer that all premier league clubs were happy to agree to something than merely to achieve a constitutional majority and move forward on that basis. That is what I aim to achieve.

Q23 Jane Stevenson: Do you expect it to happen from your discussions so



far?

Richard Masters: That is what I am aiming to do, yes. That is what I am aiming to do.

Q24 **Jane Stevenson:** I hope so. Rick, I would like to move on to the financial controls that come along with this deal. Are they fair? Do you consider the ones mooted at the moment about youth teams, the parachute payments being maintained, are fair?

Rick Parry: No, in a word. I will try to keep this brief because it becomes quite complex. We have a situation at the moment with the profit and sustainability rules, which is a rather quaint name because our championship clubs are neither profitable nor sustainable. As has been well publicised, the annual loss limits in the premier league are £35 million and in the EFL they are £13 million. They are stricter in the championship. When we move to the squad cost ratio rules, which we are completely in favour of as a matter of principle, we understand that within the premier league the thinking is that the clubs competing in Europe, those with more money, will be able to spend 70% of their revenue on wages and the other clubs will be able to spend 85%. The condition that has been imposed upon us is that within the championship the parachute clubs will be able to spend 85% and the others will be able to spend 70%, which is 180 degrees different from the position in the premier league.

The implications of that are that not only do they spend 85% of revenues, they spend 85% of their parachute money as well, of course, and of transfer profits. Transfer profits fluctuate but at the moment the three clubs currently in the first year of the parachutes have an average transfer profit of £50 million each, which is very considerable. Our calculations at the moment—and bear in mind that they are a snapshot—are that the implications of the revenue share proposed and the new cost controls mean that the year one parachute clubs will be able to spend £110 million each on wages and the other clubs will be able to spend £30 million.

Our championship clubs are making and are discussing a stark choice, because again we were looking at allowing owner funding to compensate over on top of the cost controls—Premier League have proposed 30%. Acting very responsibly, the championship clubs have essentially said, “Our definition of sustainability is reducing the dependence on owner funding”, which is around £15 million a club. We have been discussing limiting the owner funding to £5 million a club on top, using any money we get from the Premier League to reduce the owner funding, bringing the owner funding commitment down, but in doing so we reduce the capacity to spend to about £20 million.

The clubs have had to decide between sustainability and competitiveness, which is a horrible choice. It is a ridiculous choice for the system because at the end of the day they cannot compete.



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Q25 **Jane Stevenson:** Would that apply to teams relegated from premier league as well?

Rick Parry: No, the relegated teams would be able to spend £110 million. We would be constraining the other clubs to spending £20 million.

Jane Stevenson: Basically, this advantage is significant.

Rick Parry: Worse than it is at the moment.

Q26 **Jane Stevenson:** What suggestions would you like revisited? Are you still discussing this? Is it still to be agreed?

Rick Parry: At the risk of sounding like a long-playing record, if we got the distribution right we would not need parachute payments. We are not trying to kill the clubs coming down because, as I said, this is all about making 100 clubs sustainable. One of our concerns is the parachute system is unfair but also it is a very blunt instrument. A club that has been in the premier league for 10 years we accept completely will have a cost base that is difficult to change overnight as compared to a club that has been up for a year—Luton Town, for example, which might be able to adjust. We are more than happy to study a fairer method, a balanced method that is based on need, not based on enabling them to go straight back up.

Q27 **Jane Stevenson:** What does the model look like that sets a more level playing field for relegated clubs and clubs that have already been—

Rick Parry: I think it is one that has an assessment of need rather than as a figure plucked from the sky.

Q28 **Jane Stevenson:** By need, do you mean the wage reduction for players that are going—

Rick Parry: Look at their cost base, not just the players' wages but look at the cost base of the club, the size of the club, its revenue base and turnover. Make it a proper economic analysis. We don't want them to come down and be plummeting straight into administration. We want them to come in and compete. What we don't want is the grossly unfair system that we have at the moment where in each of the last six years—and let's keep the facts simple—two of the three promoted clubs have been parachute clubs. That is not fair.

Q29 **Jane Stevenson:** Is balancing those two needs and being fair to the relegated clubs and to the clubs already in the championship possibly an unsolvable equation?

Rick Parry: Not with a will. Why would it be unsolvable? If we all have a will to do it and sit around the table and say, "Here is the objective. It is about—"

Q30 **Jane Stevenson:** Would people not disagree about what is fair at some point? There will always be a—



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Rick Parry: Yes. I wonder if anybody had thought of an independent regulator who might bring a different view.

Q31 **Jane Stevenson:** I don't know. It sounds like a good idea. If you do not get a shift on the financial controls, will you agree to it anyway ultimately?

Rick Parry: We don't have a great deal of choice. The premier league is dominant and at the end of the day what else do we do? We can't go and attach ourselves to La Liga. We actually do not have a choice.

Q32 **Jane Stevenson:** Richard, just briefly, is the relegated clubs spending 85% of money reasonable and do you think there is some disadvantage? How can we make this slightly—

Richard Masters: This is a conundrum, but I want to address a few things that Rick has said. We are considering moving to the squad cost ratio model that UEFA has adopted but that is not agreed yet. The EFL is agreed on the principle and in principle I guess the Premier League is now in the midst of discussing whether we want to introduce it. The UEFA level is at 70%, so the clubs at the top will be subject to those controls and we have a very similar system. At the moment we have the profitability and sustainability rules that provide an advantage to non-European clubs. European clubs are not allowed to lose £105 million over three years. It is exactly the same system. It has tried to calibrate it to provide the same advantages to premier league clubs in the bottom half of the system so they can aspire to be in Europe. Of course, this year we have Aston Villa returning to the European action, Brighton also in Europe for the first time, and those are good things.

The question is what happens to relegated clubs when they come down into the championship. We think it is a difficult adjustment to make from being a premier league club to a championship club financially. As you know, I do not think that parachute payments should be removed. They are a critically important part of the premier league system. For clubs promoted to premier league to compete, they have to know that they are able to invest, otherwise they will not be able to compete in the league, they will not be able to play their part in a division that shares its success with the rest of the pyramid. If we were to remove parachutes, that would have a dramatic impact on the competitive balance of the premier league and I think a significant detriment to its value, which means we will be sharing less value with the people we are trying to share it with. There is a very circular argument to all this.

Rick is right, there has to be a will to resolve that issue. That is where one of the sticking points is about how you calibrate the financial regulations between European clubs, premier league clubs in the bottom half of the league, relegated clubs going into the championship and the non-parachute clubs in the championship so that they all have a fair and reasonable crack at progress, because that is what people want. We have



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no difference of objectives, we just have a difference of opinion about how you should do it.

On the calendar point, Rick is essentially saying we have an agreement on the calendar in principle but unless the money is sorted the calendar bit won't come through. We are absolutely clear that the Premier League cannot impose a calendar solution on other parts of football. We have an agreement in place called the working practices agreement where the Premier League, the FA and the EFL have signed up that no party should impose a solution on others. All we have done is make suggestions.

When you look at the 14 clubs in the premier league and how long they have been in there, there are six ever-presents in the premier league. Of course, at the moment you also have six clubs in the premier league that have gone up without parachutes, including Luton, Brighton, Brentford—people who have made a success of their promotion and have managed to stay up and stay competitive. I believe they would not have been able to do that without parachute payments. This is all about calibration and trying to find the right formula, I agree. I just don't agree with Rick's solution, but where there is a will there is a way.

Q33 Jane Stevenson: I know another colleague has some questions about parachute payments specifically. Finally, Richard, you have said that the new deal should have a purpose on things like facilities. What result would you like to see from the new deal funding?

Richard Masters: The gap that we have concentrated on in the championship is the gap between parachute clubs and non-parachute clubs. If the proposal that we are working on at the moment were to be agreed by both sides, that would halve the gap between parachute clubs and non-parachute clubs. I have said I do not recognise the numbers that Rick has used about the ability to fund and I am happy to discuss those after the event. We are trying to make non-parachute clubs get an advantage over their current financial situation, which would increase their competitiveness within a division. Nobody should be surprised that relegated clubs are competitive within the division that they come into.

A topic we had for discussion was an infrastructure fund for league one and league two clubs. I am pleased to see it has survived. We wanted it to be bigger than it was, but the league one and league two clubs preferred to have cash to put into their P&Ls rather than to create an infrastructure fund. The size of that fund has shrunk from £24 million to £9 million as part of the current working proposals.

Q34 Clive Efford: Good morning. I wish I could say I am pleased to see you here, but unfortunately in the circumstances it is rather disappointing that you have to be here.

Richard, what is your primary objective in the negotiations with the Football League?

Richard Masters: To do a deal that works for the whole of the game.



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- Q35 **Clive Efford:** For the whole of the game, not for the premier league?
Richard Masters: It has to work for the premier league and for the rest of the game.
- Q36 **Clive Efford:** Is part of your role to ensure that we have a competitive championship?
Richard Masters: The championship is a fantastic competition and it is competitive. Television broadcasters love it. They have put a 45% increase on the price of championship rights. The tenancies are going through the roof. It is an extremely vibrant pyramid.
- Q37 **Clive Efford:** If you look at the money that was received by the bottom premiers league club, the figure that I have seen is that that club got £97.6 million in payments at the finish of the season. The top non-parachute EFL club got £8 million. If I was an owner of a non-parachute club, how long would I continue to subsidise a club when I am up against that resource for parachute teams?
Richard Masters: One potential solution we have looked at for that—because, of course, the distribution methodologies within the premier league are the most egalitarian within European football and I believe that is one of the great successes of the premier league, and it provides the unquantifiably valuable commodity of jeopardy in the championship—
Clive Efford: Sorry, what is egalitarian?
Richard Masters: I am coming on to your point, Clive, which is the gap between the bottom of the premier league and the non-parachute clubs.
In the championship, all the revenue is shared equally. The championship has no merit rake and, therefore, has a huge drop. Whether you finish first or 24th in the championship, unless you are a parachute club you get the same amount of money, whereas in the premier league you are incentivised to be successful but not in the way you are in Spain or Germany or France, where the curve is much deeper.
One great success of the premier league is that all clubs are able to create competitive teams, which is what creates the excitement and drives the value. The championship has decided, for good reasons, to divide it all equally, which creates this large gap.
- Q38 **Clive Efford:** If you do not mind me saying so, it sounds to me like the heart of the problem is that the Premier League wants to not only run the premier league but it wants to dictate how the competition is organised within the football league as well.
Richard Masters: We cannot dictate to the EFL what it does. It is its decision, ultimately.
- Q39 **Clive Efford:** Okay, but those clubs that come down are allowed to spend 85% of revenue on salaries, whereas EFL clubs spend only 70%.



Does that push EFL clubs into being reliant on club owners to invest in the club and subsidise the club?

Richard Masters: They will get more revenue as part of the overall mechanics.

Q40 **Clive Efford:** That difference is there still. Why does a parachute club going into a competition in the championship get to spend 85% of its revenue on salaries?

Richard Masters: Because of the adjustment that is required. We have to play with these numbers and we have to work out the right solution, Clive. There is a disagreement here between the teams working on this, not in an adversarial sense, but about what is the right formula? I agree that these are issues that need to be resolved, but they are not simple. If they were, we would have done it by now.

Q41 **Clive Efford:** Talking as a fan, I support a championship side and my club generally trampolines between the first division and the championship rather than the premier league. However, I pay my money and watch the game. If a parachute club playing against us has one player on the pitch who costs more than the entire squad of my club, how does that create a fair and equal competition that is sustainable in the future? Why would owners hang around in a competition where the outcome is fixed in favour of clubs that have come out of the premier league?

Richard Masters: If you are asking why owners hang around, there is quite a vibrant market for EFL clubs. The system requires reform. We are working on these proposals to make it, as you call it, fairer and to give everyone a chance to aspire. With this pyramid, if you are Luton and you have been all the way down to the bottom, you can come all the way back to the top. The current system delivers that. We have seen it in action and we can make it stronger and more sustainable. The regulator's primary interest is in sustainability, not necessarily competitive balance or what you describe as fairness.

Q42 **Clive Efford:** We call it a pyramid, but it is not shaped like a pyramid at all. It is a cliff edge that clubs fall off into the championship. You must accept, surely, Richard, that the embarrassment of riches that clubs relegated from the premier league enjoy over several seasons above those existing EFL clubs distorts the competition. It is inevitable, isn't it?

Richard Masters: If you want to look at various data points—

Clive Efford: It is a yes or a no, isn't it?

Richard Masters: It is not distorting to the point that perhaps you suggest. Of course, parachute clubs have an advantage. They have just been in the premier league. If a club in the premier league has been there for some time and comes down, it comes down with an expensive squad. It may have relegation clauses in place to help balance the books.



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It requires that parachute payment. It will be competitive in the championship. I do not want to see relegated clubs plummet like stones to the bottom of the championship. What is the point in that? This is all about balance.

As I said, I agree that the debate needs to be had on this topic and new resolutions found, but I do not agree with the central premise that the whole system is completely unfair.

Q43 Clive Efford: Rick, do parachute payments distort competition in the championship?

Rick Parry: Yes.

Q44 Clive Efford: What is the likelihood of a club that has been relegated from the premiership being promoted back? We can see Leicester right now have been promoted back into the premier league.

Rick Parry: When we were before you last time—I do not want to spend too much time on old ground, but academic analysis suggests that the parachute clubs over the last three years are three times more likely to be promoted than non-parachute clubs—the Premier League did not much like the simple arithmetic that demonstrated that, so, today, as I said, let's make it simpler: in each of the last six years, two of the three clubs promoted have been parachute clubs. It is a distortion. There is no question that it is a distortion and it is not fair.

Richard touched on merit rakes and that perhaps characterises the nature of the negotiations. If you want to reduce the cliff edge, we are completely committed to merit rakes. We suggested that we have a two-to-one merit rake in the premier league and the championship, which would go a long way towards narrowing the gap. The Premier League's response was that it is not moving its merit rake from 1.6 to one, but the championship should have a three-to-one merit rake, which we think, again, is completely unfair and unbalanced.

Q45 Clive Efford: I made the point to Richard that the Premier League goes too far in dictating the competition within the championship. Is that how it is in the negotiations?

Rick Parry: Essentially, yes, inasmuch as the Premier League, as Richard says, is not able to dictate but makes it a condition of the agreement. One clause in the agreement, which we have resisted, for example, is that while we are introducing strict new rules, all relegated clubs have to do is to use reasonable endeavours to comply with the rules in the championship. That is no form of regulation. They get a free pass to get straight back up again without complying with the new rules. It is unbalanced.

Q46 Clive Efford: I made the point as well. Why would the owner of a non-parachute club keep pouring money in to subsidise their club if there is no prospect of promotion or if the prospect of promotion is remote? Is



that a realistic description of the situation that exists in the championship at the moment?

Rick Parry: It is and it is topical because we have seen it with Derby County. The owner put in hundreds of millions in an attempt to get to the premier league, got to the playoff finals, did not quite make it and decided to stop funding. The club nearly went out of existence.

We have seen it to an extent with Wigan Athletic and it is topical now because it is precisely what happened with Reading, which incurred pretax losses of almost £100 million. When the new owner came in in 2017, it is not that he did not put money into the club. Arguably, he put too much money into the club. He failed to get to the playoffs, missed it by one place and then decided to stop funding. That was then catastrophic for the club. Everybody can see the impact on Reading. The system is broken. The system needs fixing properly.

Q47 **Clive Efford:** There were not people queuing up to take Reading over, then?

Rick Parry: That is precisely the point. Why would there be? Again, if we go back to our fundamental purpose, it is making clubs sustainable and reducing or eliminating the dependence on owner funding. The Chair touched on the question of supporters. In our model, it would be feasible in the future with proper redistribution for clubs to be fan-owned without the need for endless subsidy and owners who come and then go.

Q48 **Clive Efford:** Richard, you said to us that there was an appetite for people to take over championship clubs. We heard Rick describe the situation at Reading. That does not seem to be the case.

Richard Masters: I am not sure that Reading are potentially on everyone's list, but many new owners have come into the championship and are prepared to support their clubs. You made that point to me.

Q49 **Damian Green:** Since, Rick, you brought up the subject of Reading, I will declare an interest. I have been a Reading fan since the 1960s. I was there on Saturday. There was a pitch invasion deliberately designed to cause an abandonment of the game and to bring this terrible situation to people's notice. I do not do pitch invasions but I absolutely share the anger of my fellow fans.

It takes a lot. Reading famously jokes about itself as the most middle-class club in Britain. We were once sponsored by Waitrose. It takes a lot to get to this stage. The only hooligan associated with Reading Football Club is Dai Yongge, the owner. A lot of frustrated, angry, worried fans are watching their club die before their eyes. What is the EFL doing to stop this club dying?

Rick Parry: If we take a little step back—and I will not ignore the question at all—we need to change the system because, as Clive has said, this is exactly the problem. We have a succession of boom-and-bust



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owners who come in, throw money, find it does not work and then walk away. We have seen it with other clubs.

What are we trying to do with Reading? We share the fans' concern. We absolutely do. We are trying to take action against Dai Yongge, the owner. Reading have fallen foul of our profit and sustainability rules and, as you are well aware, have suffered the punishments. To be fair to Reading, they did come clean. They were transparent and acknowledged the problem. The problem was about throwing too much money chasing the holy grail. It always fails and always results in major problems.

Just before Christmas, we acted against the owner—not against the club—to try to get him disqualified. A disciplinary panel found on that occasion that it was not warranted and fined him instead. Frankly, fining Dai Yongge is of no use at all. If he will not put money into the club, he will not pay the fines. We are meeting fan groups this afternoon. We want a new owner. We want a resolution to the problem just as much as Reading. Do not ever believe that the EFL does not care. We do care. We do not want to lose clubs, but we are not in a position to easily force him to divest of the club.

Q50 **Damian Green:** That is the root of my question. You do not have the powers to save a club in this situation?

Rick Parry: It is complex. We have the powers, potentially, to disqualify the owner. We do not have the power to force a sale.

Q51 **Damian Green:** You talked about disqualifying the owner. I am talking to the supporters' groups and the word on the street is that he now does not want to sell. He is asset stripping and he is doing it quite visibly with players. He wants a fire sale of any players of any value for what little he can get. Basically, he wants to be left with a training ground as a piece of property, having folded the club as he folded two clubs before. I do not want to get too historical about this, but he was an approved owner and in two different countries he has killed off two football clubs already. It seems to me pretty extraordinary that he was ever allowed into the English game in those circumstances. Nevertheless, we are where we are.

If you disqualify him as an owner—and I am glad the EFL tried to do it the last time we went around this course and it is sad that the independent panel did not do it—what happens to the club?

Rick Parry: If you have a disqualified owner, the natural consequence or the logical consequence for the owner is to divest. Whether Dai Yongge will do anything logical, frankly, remains to be seen. We are trying to explore every possible avenue open to us. The most logical is that, rather than punishing the club or punishing the fans, we start to punish the owner in an attempt to force a resolution. We cannot promise that that resolution will work. We can find better solutions and different solutions.

By the way, an element of the profit and sustainability rules that we have major concerns about but were forced to adopt was the ability of owners



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to sell assets. Reading sold the stadium and they sold the training ground. That being allowed to happen is absurd. Fortunately, that loophole has been closed but, unfortunately, that is a legacy of inadequate rules that does not take us any further forward.

We will explore every possible avenue to resolve this. Normally, in this situation, sadly, clubs go into administration. That happened with Derby. It happened with Wigan. At least then a process is overseen independently and the club can be saved. It is pretty extraordinary for an owner to effectively sit there and do nothing. That is a new one. We have not seen that one before. It is a fresh challenge. We are committed to trying to solve the problem. I do not have an instant solution.

Q52 **Damian Green:** Everyone has been agreeing that nobody has been queueing up to buy. The report does not suggest that. People out there would happily do that. They might think that it will end up in administration and they can pick it up more cheaply. There might be a competition then. If owners are out there but the owner does not want to sell, we are hearing that there is no one, not you, not some potential independent regulator. In those circumstances, one can do little to make an owner act in his apparent own financial interests.

Rick Parry: The good thing is that with the drafts that we have seen so far of how the independent regulator will operate, it will have the statutory powers to force divestment. That is a massive step forward and is a reason that we hope we will get the regulator as soon as possible.

Q53 **Damian Green:** Yes. Sadly, we will not get it in the next three weeks, which is the timeframe we are looking at for Reading.

Rick Parry: Agreed.

Q54 **Damian Green:** Are you meeting the fans groups today?

Rick Parry: Today, yes, again.

Q55 **Damian Green:** With any proposition?

Rick Parry: Not a clear proposition. As I said, there is not an obvious single solution. We feel it is important to continue the communication with the supporter groups and to work together because we have a shared objective.

Q56 **Damian Green:** Sorry, one last thing. I am conscious I am taking up time on a personal obsession, but it is an important illustration of where the game has got to.

You have managed to make the distinction already about punishing the owner and not the club, the players, the staff and the fans. Do you intend to maintain that distinction in future disciplinary matters?

Rick Parry: I do not have a crystal ball so it depends what disciplinary matters might be presented to us. That is our stated intent and position. The club has had points deductions for breaching non-payment rules.



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Frankly, if they breach those rules in the future, who knows what will happen? We have a duty to 72 clubs. We have to think of the other 71 clubs that are not breaching the rules. At the moment, our focus is very much on the owner and, in that sense, our aims and the supporters' aims are aligned. We understand their frustrations.

Q57 Alex Sobel: Rick, we have heard you mention the regulator. The Chair and Damian have both referenced the football regulations, which we expect, in the current ministerial language, to be tabled imminently and for us to take it through the House. I have read that the EFL's and the Premier League's views are not the same. You have already shown a lot of support for the introduction of the regulator. What role has the impending Bill and the introduction of the regulator played in the interaction between the EFL and the Premier League not reaching an agreement, Rick?

Rick Parry: It has not had a direct bearing on not reaching an agreement because reaching an agreement has been challenging in any event. Had it not been for the threat of the regulator, we probably would not be as far on as we are, however far that is. Listen, yes, we do have different positions. We want the regulator. Broadly, the Premier League does not.

As it gets closer or perhaps as we see the Bill, it will have two effects. It could either speed the negotiations or, frankly, it could slow them down further because people might wait and see what the regulator brings. Our position is that we want to get the deal done as rapidly as possible.

Richard Masters: It has had a subtle but significant impact on the discussions because there is an unknown third party. The regulator will come in and will have backstop powers—that has been made clear to us through our discussions with the Government—and it will be able to intervene in this discussion if we do not agree. Therefore, it must have some subtle but significant impact on the discussions because someone will step in if we cannot agree. It has an impact.

On whether it is the specific reason why we have not yet done a deal, then, like Rick, I am not sure. However, both of us, whatever our views on the regulator that have been expressed around this table in the past, I believe want a football solution, not a regulator-imposed one.

Q58 Alex Sobel: Are you hoping or calculating that the Government will not be able to pass the Bill, say, this season or in this session of Parliament so that you carry on making the decisions between the Premier League and—

Richard Masters: I have given up calculating when the Bill might be published. That is a matter for the Government. We heard the Sports Minister's comments around this table last week and it was in the King's Speech. We are expecting it to be published and, when it is, we will be interested to read it. We have not had sight of it. We have had an



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enormous amount of consultation with the Government on the policies that sit behind the Bill and we have been an active participant in all that, as you expect.

Q59 **Alex Sobel:** You have said you have been an active participant. What changes have you asked the Government to make in the proposal for the regulator? What have you asked for the regulator's structure to look like?

Richard Masters: I do not want to get into specifics but at all times we have tried to work with the Government to create a regulatory regime that can work with the industry and be effective for the industry. Our views have been listened to in part but, ultimately, it is for the Government to decide what goes into the Bill. That is their role. We have played an active role in all that, but we need to read the Bill. To some extent, we are looking forward to doing that.

Q60 **Alex Sobel:** Part of your role is to represent your clubs and the league to the Government. Have clubs expressed to you opposition to the regulator and, if so, which ones?

Richard Masters: All clubs responded to the White Paper. We put in a Premier League response and all 20 clubs put in responses. Clubs have met with DCMS during this period and have been invited in to have discussions. Those discussions have taken place, if that is the point you are seeking clarity on.

Q61 **Alex Sobel:** You have a situation now with points deductions at clubs. An independent regulator might play a different role after that.

We do not have the legislation yet. We have been through the White Paper. What does the EFL hope to see in that legislation? What are your major asks of the Government?

Rick Parry: We support the direction that the Government are taking. We have participated, we think, constructively. We rather like the licensing system. Our purpose is making clubs sustainable. That requires two things: a fairer system of redistribution, which means money being given up and substantially more coming down, and better regulation because you have to make sure the clubs are not profligate.

We are major fans of better regulation. We would prefer that in many ways the regulation was done within football but, if it is the right regulation, frankly, we do not mind who does it provided there is transparency and competence. By having statutory powers, the regulator will have a major advantage that no football body can have, which will be invaluable for owners' and directors' tests, gathering better information, compelling clubs to provide information. We are supportive in that sense.

Backstop powers have been touched on. For us, it is fundamental that the regulator must have the power to actively intervene in the event that the regulator is unable to meet its primary statutory objective, which is to secure the sustainability of the pyramid for the benefit of fans and



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communities. The regulator must have that power to intervene. The regulator will have an independent view and an objective view and, we hope, will break the logjam that football patently is not capable of breaking.

We have said on a number of occasions that we do see a paradox in the Government's position in the response to the White Paper. The Government say that the market has been unable to regulate football, which we accept, but then they say that the market can sort out redistribution. It patently cannot because it has not. It could have been done any time in the last 30 years if the will was there.

Again, given that the regulator will also focus on the sustainability of individual clubs, we can save the regulator a lot of time by pointing out that two thirds of our clubs are insolvent without redistribution. What will the regulator do? Refuse to give them all a licence? Put them all out of business? We hope not.

If we do not grasp the redistribution point, it is odd to say that we will just leave football to find a solution. It has to be the right solution. The first step for the independent regulator is to carry out this major, objective, comprehensive state of football review. We applaud that and we support in. In fact, we wish it could have started a year ago, but we are where we are. Surely the outcome of that will dictate whether the regulator is able to achieve its primary strategic purpose. If it does not, the regulator has to step in and act.

Q62 **Alex Sobel:** Are you looking for the Bill now post-White Paper to give powers to the regulator for redistribution over and above?

Rick Parry: Yes.

Q63 **Alex Sobel:** In terms of your club—the same question I asked Richard—is there uniformity of view about the regulator or are there mixed views about bringing a regulator in among the EFL clubs?

Rick Parry: Unanimity in football would be a novel concept. Broadly, yes, they are supportive. A number of our clubs have been in to see DCMS, as indeed have a number of premier league clubs. Our understanding is they have been engaging constructively. Yes, pretty much across the piece, our clubs are united. They want a better future. They want a better system. They know the current system is broken.

Q64 **Alex Sobel:** Finally, Richard, if we meet after this during the passage of the Bill, would you lobby me to vote in favour of the Bill or against it?

Richard Masters: I would not be lobbying you at all.

Q65 **Alex Sobel:** What would your view be? Should I vote in favour of the Bill or against it?

Richard Masters: It is the same question as before. I am sure that if the Bill is published it will pass so it would be pointless.



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Rick Parry: We will be lobbying you to vote in favour.

Alex Sobel: I guessed that already. Thank you.

Q66 **Julie Elliott:** Good morning. Richard, the last time you were in front of this Committee I asked you a lot of questions about kicking the football regulator into the long grass. I am sure you will remember that. You denied absolutely that you had ever said that to anybody. I have had it confirmed by the same people since that they say that is what you have said, but are your actions proving that that is what you are doing?

Richard Masters: What you said at the meeting, if I recall, that it had been mentioned in club meetings—

Julie Elliott: I never mentioned club meetings.

Richard Masters: —and we listened to it. I do not recall ever mentioning kicking anything into the long grass.

Q67 **Julie Elliott:** Is that what you want to do with the independent regulator?

Richard Masters: The White Paper has been published. The legislation was announced in the King's Speech. The Sports Minister was around this table talking about the publication of the Bill. As far as I am concerned, it is happening.

Julie Elliott: I want to know your view on it.

Richard Masters: I am totally accepting of the Bill and the regulator coming in after that Bill.

Q68 **Julie Elliott:** With backstop powers?

Richard Masters: It is our understanding that it will include backstop powers and we have had lots of discussions with the Government about how those backstop powers should operate. As I said, it is up to the Government to decide what powers to give to the regulator. That will be revealed in the Bill, which I have not seen.

Q69 **Julie Elliott:** If we move on to the public perception of this whole thing that is going on, in particular the fans' perception, as you have both agreed at different points during this session, fans are the lifeblood of the game. They are in my constituency an incredibly vocal group of people. How aware are you of what they feel about this issue?

Richard Masters: We have lots of interaction with fan groups via the FSA. We have constant dialogue with fan groups. Our clubs feed it back to us as well. We know that fans are keen that the leaders of football come to wide-ranging agreements on all the big topics. We are aware of that. As I have said and I have repeated around this table, it is incumbent upon us to try to come to a football solution. As Rick said, it has to be the right deal for everybody.



Q70 **Julie Elliott:** You have mentioned the FSA. Its annual survey showed that nine out of 10 fans back an independent regulator. They feel they got you out of the mess of the European Super League and they feel that you are not listening to them now. How would you comment on that?

Richard Masters: We listen to fans. We absolutely do. I am aware of those data points as well. We know that fans want something to be done and we are aware of it.

Q71 **Julie Elliott:** Why are you not acting on it?

Richard Masters: We are. I have tried to demonstrate to the Committee today all the actions that the Premier League has taken to move the debate forward, to get to a point where there can be a consummation of the proposals we are talking about. We are not there yet; I accept that. It is a frustration to the Committee and, indeed, to the Government, but we are working on that.

Q72 **Julie Elliott:** Rick, how do you comment on the fan survey and what Richard has said?

Rick Parry: We are aware of what fans think. We are aware of the FSA survey. We have carried out similar surveys and we are also aware of an independent YouGov survey, which, interestingly, largely focused on fans of premier league clubs rather than our clubs. I did touch on the point earlier that if we reach our ultimate goal of eliminating the need for owner funding, fan ownership of clubs could become more viable. Of course, as Damian has pointed out, we are acutely aware of the fans' position on one particular club. We always see the macro and the micro level. We are always reminded of that.

The one thing that I would say that I didn't touch on earlier is that given that we started this process nearly four years ago, the pace by any analysis has been, at best, glacial.

Q73 **Julie Elliott:** Richard, fans back redistribution of wealth throughout the pyramid and grassroots game. That comes through in lots of different surveys around football. Is that what you want to see?

Richard Masters: As you know, at the moment we redistribute 16% of our revenue outside of the premier league into the pyramid—

Q74 **Julie Elliott:** Is that enough?

Richard Masters: If I could finish, that is already a generous settlement. We have already talked about with Rick and agreed with the FA further redistribution and a more generous settlement. On that basis, I agree that there is a new deal to be done. We are working on that. That is £1.6 billion over the current three-year cycle. They are not insubstantial sums.

Q75 **Julie Elliott:** What is the fans' perception of that new deal?

Richard Masters: I am not sure that I fully understand how fans feel about the current state of negotiations.



Q76 **Julie Elliott:** There have been lots of surveys done on it that suggest that most fans are not particularly in favour of the new deal and do not think it goes far enough. I am paraphrasing a number of surveys that have gone on. What is your view of that?

Richard Masters: We are happy to look at those surveys. In the end, I have to take all views into account. I am happy to listen to fan views. I want to do that. Julie, if they are FSA surveys, I have access to them and I will find them. I also have to—

Julie Elliott: Some are from Fair Game UK and there are other surveys.

Richard Masters: I am happy to look at that and will do so.

Julie Elliott: You will come back to us?

Richard Masters: Yes.

Q77 **Julie Elliott:** Lovely. If we move forward, if a deal is not agreed voluntarily and a settlement is imposed by the new regulator, will there be any reputational damage on football and on clubs and on the leagues? I would like both of you to answer.

Richard Masters: It would not be a good outcome. I much prefer if we agree these things ourselves, as we have done since 2007. Out of the limelight without fuss, we have agreed increasingly large redistributions to all parts of the game. I prefer it that way.

Rick Parry: I do not quite see it that way because this is not a negotiation. It is a plea on our part because we have no leverage. We cannot go anywhere else.

Our view is a little different. We will come to the right solution only through an independent view and independent analysis. At the end of the day, football is a game of vested interests and intense competitiveness, not just at the premier league level but at every level. Its self-interest and short-term interest tends to flow right through. The ability to have an independent view based on hard factual analysis is helpful. It is not necessarily harmful to the reputation. It is a great shame that the game has not been able to come to a solution, but we are where we are.

Q78 **Julie Elliott:** Richard, can fans do anything to promote an agreement or, as you have said that fans are part of the equation, is this purely financial for the clubs?

Richard Masters: As I said, a whole host of reforms go into making up the games that we have been talking about. It is not just finance. It is financial regulation—

Q79 **Julie Elliott:** I am particularly asking about the financial side because it is not working at the minute. We all know it is not working. Football is not sustainable if it carries on in the way it is at the moment. Clearly, some redistribution has to occur larger than is happening and in a fairer way



than is happening at the moment.

I am concerned that you do not seem totally aware of what fans think. Fans, as we have agreed, are the lifeblood of football. If we do not have fans, we do not have football in this country. Can they do anything to help bring about an agreement soon or will this, basically, be entirely down to the financial situation of clubs and the brokering that goes on?

Richard Masters: Fans must be free to express their views and governing bodies and organisations like the Premier League and the EFL must listen to the fans. However, in the end it is down to the executives of the clubs. The power, ultimately, and decision-making authority lies with the 92 clubs across the Premier League and the EFL. They must decide what is in the best interests of the leagues having taken on the views of all the stakeholders within the game. We believe we have done that and are doing that in the process that we are running.

On the sustainability of the game point, notwithstanding all the things that I have said about how this is a valid debate and we are trying to find an all-game solution, I do not agree necessarily that English football is on the brink of implosion or collapse. The picture is different. Clubs out there of all denominations are suffering financial distress. That is true. Then again, you expect that across a broad business.

There are many great things about our business. We suffered fewer acts of insolvency in the last decade than we have in the previous decade by some considerable difference. The financial rules have had some impact on that, I believe, along with a new cohort of wealthier owners coming in and owning football clubs more generally. It is demonstrably more stable.

The EFL and the Premier League eventually worked together on trying to find a solution for distressed clubs during Covid. We managed to have a situation where nobody went out of business during that incredibly difficult period when the pyramid lost between £2 billion and £3 billion irretrievably and to some extent is still recovering from that financial shock today.

Julie Elliott: No men's groups went out of business. Women's groups closed.

Richard Masters: Sorry, I am talking about the men's pyramid.

Q80 **Chair:** Richard, going back to Julie's first question, have you ever spoken to anyone about kicking the proposals for regulation into the long grass?

Richard Masters: Perhaps you had better tell me where this comes from because I do not understand where this is coming from.

Chair: You do not remember ever having this conversation?

Richard Masters: No. Frankly, no. The last time we were here, it was asked, in club meetings, had it ever been mentioned by clubs. That is why we then spent a month going through all our meetings to find out



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whether it had ever been a policy. The point is that it has not been Premier League policy or my policy to kick the regulator down the road. It has not.

Q81 Chair: Can we talk a bit about Everton? You can probably forgive Everton fans for feeling like scapegoats at the moment with their points deduction before their appeal has been heard based on a framework that does not seem to be written down anywhere and rules that are supposed to change later this year. Is the Premier League's action on Everton an attempt to try to prove that it can regulate itself and take decisions on breaches seriously?

Richard Masters: No. We take our rulebook seriously. It is a handshake between all 20 clubs. All clubs look each other in the eye and say, "We will comply with these rules." They expect the board, if clubs do not comply with those rules, to act. Everton are an important member of the premier league and they have a presence. However, we also have to think about the other 19 clubs and their fan bases in the decisions we make.

The charge was made in March 2023 for the first Everton case. The case was then eventually heard in October. We did make a plea at the time to try to hear the case towards the end of the season, but Everton argued against that and the commission agreed. That is why it was heard in October.

I will make the point so that everyone understands the process that we have. Charging decisions like that are heard by an independent panel selected from legal and financial experts appointed by the panel chair, Murray Rosen KC. He is responsible for populating the panel and appointing the panel. The Premier League has nothing to do with it. An independent panel made the decisions in respect of the charge for the PSRs and indeed the sanction, independent of the Premier League, independent of the executive, the board and the clubs. We think that process was followed to the letter. Everton had the absolute right to appeal that decision and that sanction and they are doing so. That appeal will be heard shortly and we hope it will be efficiently held and we will find out the decision about that as soon as possible. I do not believe it will affect the charge made yesterday for a breach for the following year, the full year 2023. We charged both Everton and Nottingham Forest with breaches of the same PSR rules.

Q82 Chair: Is it appropriate that Everton have suffered a 10-point deduction before they have had a chance to have the appeal heard?

Richard Masters: It is a pending appeal. The points have been deducted pending the appeal. Whatever the appeal panel decides will then be, I assume, the final deduction. The asterisk will then be removed. It does not matter when it happens as long as it happens in this season. It will happen in this season.



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Q83 **Chair:** Yesterday's second judgment on Everton includes the majority of the financial period for which they have already been sanctioned, in my understanding. It is so messy, Richard. Do you accept that this fundamentally underlines and demonstrates the urgency in which we need an independent regulator to manage cases like this?

Richard Masters: It is not messy. It is a solemn duty and I am sure Rick agrees with me. Nobody likes enforcing the financial rules. It is the first time the Premier League has done it. These financial rules were brought in in 2013-14 with a specific purpose post-Portsmouth of ensuring that unsustainable spending cannot go too far. A wrapper has been put around how much clubs could invest in pursuit of their aims.

This is the first time we have laid a charge in this specific way and no one wants particularly to be doing it, but we must do it because we have to think about the rest of the clubs that have complied with the rules and their fan bases. That, ultimately, is the duty of the Premier League board and the FL board in similar circumstances.

Because we changed the rules last summer—and we cannot change the rules unilaterally; we have to do it with the clubs' permission—there is a more expedited process because it a three-year lookback. The PSRs are calculated on a three-year lookback. In Everton's case, the decision was made on that case a year after and the season after they were found to be in breach. It is a long period so we brought in expedited directions to try to help that process work more efficiently.

Q84 **Chair:** Can you understand fans' frustration when Man City is taking so long and, meanwhile, Everton have had another two charges and Nottingham Forest was charged yesterday?

Richard Masters: I can, but they are different charges. That is all I would say. Any club, whether the current champions or otherwise, that had been found in breach of the spending rules for the full year 2023 would be in exactly the same position as Everton or Nottingham Forest. The volume and character of the charges laid before Man City, which I cannot talk about at all, are heard in a completely different environment. A date is set for that proceeding. I cannot tell you when that is, but it is progressing.

Q85 **Chair:** Can you give us the status of the Man City and indeed the Chelsea investigations?

Richard Masters: No, I cannot give any details on Man City beyond saying that a date has been set. I cannot tell you when that date is.

As you know, the new owners of Chelsea came forward with information to the FA, UEFA and the Premier League about previous ownership and we are still investigating that. We do not announce the outcome of that until we have completed those investigations.

Q86 **Chair:** We have been briefed that the Premier League is changing profit



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and sustainability rules ahead of next season. What will that look like?

Richard Masters: Actually, that refers to the fact that, as referenced around this table already, the Premier League with the FL is considering moving away from profit and sustainability rules, PSRs, to a squad cost ratio mechanism. That is now in consultation to replace PSRs in the future. PSRs will be around this season and next as a bare minimum and may even be kept alongside it, I do not know. All those decisions are yet to be made. As far as I am aware, there are no further plans for the PSRs at the moment.

Q87 **Chair:** When will Everton find out if the takeover by 777 Partners will be confirmed by the Premier League?

Richard Masters: As soon as we have completed the process. Unfortunately, some processes take a matter of weeks. If we have not had satisfactory answers to the questions that we have asked, it takes a lot longer.

Q88 **Chair:** How long will this one take?

Richard Masters: It has already been running for a number of weeks and so it will take longer.

Chair: How much longer?

Richard Masters: I do not know. I cannot say. It is a difficult question to answer.

Chair: Days? Weeks? Months? Years?

Richard Masters: Hopefully weeks.

Q89 **Damian Green:** I wanted to add on the Everton front. Can you understand why there will be cynicism among fans? We have talked a lot about the cliff edge between the premier league and the rest of football. There appears to be a cliff edge inside the premier league. If you are a big club and you can afford not only the best players but the best lawyers, you get embroiled in legal matters that take 10 years or never come to fruition. If you are Everton or Forest, to use your phrase, an expedited procedure suddenly in the middle of the season knocks 10 points off them and they get threatened with relegation when, on the pitch, they do not deserve that. Do you understand the cynicism that develops around that?

Richard Masters: I do understand the issue and I have tried to separate the two. I have said that those standard directions are for everybody. They are not just for small clubs. If anybody is found to be in breach and puts forward their PSR calculation and it is above the threshold, we would do exactly the same thing on exactly the same timeframe. It is a separate process for the other cases because they are fundamentally different in nature. Unfortunately, I cannot go into all that today.



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I do understand that from the outside looking in, fans are interested in what goes on on the pitch. They are less interested in financial regulation unless it impacts on their club and how that works throughout the system. They are interested in fairness. Most fans want to know that the regulatory bodies in, in this case, the Premier League will enforce the rules and will have significant penalties for breaching important rules as a disincentive to do it.

It is much better, obviously, that all our clubs comply with the rules at all times and, therefore, we do not have to talk about these things at all. That is the perfect world we would all like to live in. It is not the case at the moment so we have to go through this process. We want to be transparent and open. We want people to understand it. We are prepared to have a dialogue and we continue to work with the clubs involved here on how that process plays out.

Q90 **Damian Green:** There is a wider point in principle that does affect the integrity of the league. If one, two, three or maybe four clubs start getting points deductions in the middle of the season and the football authorities reach for that punishment, throughout that season the league is pretty meaningless. Sorry to revert to being a Reading fan. We were relegated by one point, having had six points taken off in April or March. That means that the whole league itself becomes a bit meaningless.

It requires a bit of hard thinking on the part of football authorities. How do you punish owners who may have breached the rules—and they should be punished—without both punishing the fans and, from the league administration's point of view, making the league a bit meaningless? If the league starts becoming meaningless, we lose the game.

Rick Parry: As a perspective on that, bear in mind that this started from UEFA. The Premier League, in a sense, had to adopt the financial fair play rules. It was a start. Football had no financial regulation. One of my favourite expressions in football is that the opposite of doing nothing is doing something. It may not be perfect, but at least UEFA had a start.

One of the big problems and challenges—and you are right about points deductions—is that you are looking retrospectively and punishing for things that might have happened three years ago. One big advantage in moving to squad cost ratios and controlling costs is you can do it in real time. Instead of looking back at clubs and punishing, leagues can refuse to register players so that they control budgets prospectively rather than retrospectively. There will still be complaints because you are constraining the squad, but if your philosophy is keeping clubs alive, you have to have some form of financial regulation. Operating it in real time and up front rather than trying to look back three years is much better.

Chair: Last but not least, Rupa.

Q91 **Dr Rupa Huq:** In my position as last but not least, I must say that



listening to all this, it sounds like everything in Premier League-stacked if these 12 or 13—or even five or six—buyers can come in when the warning lights are there. Dai Yongge had done this in China and in Belgium. That this might happen was foreseeable. He is not paying the fines. He seems resistant to all of this.

What would meaningful fan involvement look like? You have said that fans should have a say. All this is happening with Everton as well. They do loads of stuff in the community. They are being massively penalised on criteria that are unclear and are changing again—and the goalposts are shifting. How will fans have a say? Do we need the Germany 50.1% model of actual ownership?

Rick Parry: There are quite a few questions in there and some of them are definitely mine. We have said that, ultimately, proper, fairer redistribution so that clubs do not require £15 million of owner funding may make fan ownership more viable. It depends on whether fans want to own clubs but, certainly, we can head in that direction.

It is a bit facile in terms to think that we cannot penalise the fans of the clubs that have transgressed because we have to think of the fans of the other 71 clubs that have not. We always have to keep that in balance. The idea of simply separating owner from club is not normally viable because the club has transgressed. In the Reading case, we are specifically going after the owner.

If we have a better regulatory system and if we have a fairer distribution system, we will get better quality owners, which in part is why we are more than happy to be moving to the regulator. We are more than happy for the regulator to take over the owners and directors test so that we all have a common aim to bring about lasting improvements.

Richard Masters: Rick has spoken eloquently on the situation at Reading. You said something there about penalising fans. As I said, it is best for everybody if clubs stay within the rules. You also said you did not think the rules were clear to fans. They are clear. They have been in place for 10 years and people understand them—

Q92 **Dr Rupa Huq:** The Everton criteria and how they have been deducted so many points is far from transparent. It is not in writing or anything.

Richard Masters: On that particular issue of the Premier League's approach to sanctioning, whether it is on a breach of PSRs or other rules, we have an open sanctioning regime. It is an active decision to leave it to the independent panel to decide because it gives it maximum flexibility to decide in the circumstances, having listened to all the mitigating arguments made by the club and by the Premier League to make its own decision. While that may not be clear, we believe it is fair.

Q93 **Dr Rupa Huq:** It looks fishy and, again, with foreign buyers, Governments can do all this sports-washing stuff. This is all about cold, hard cash. Non-league games have massive attendances—through the



roof. Should more of your pyramid structure go down to those at the bottom, like Pitshanger FC and Hanwell Town, who do not have the huge broadcasting rights and wages bills that we have alluded to today?

Richard Masters: As I said, we redistribute £1.6 billion outside the pyramid. That goes to all parts of the game. I am not quite sure which tier Hanwell Town are in, but it goes as far as the national league divisions. The money we put into the Football Foundation and the Premier League Stadium Fund is available to all parts of the game, including women's games and women's facilities. Money from the Premier League goes to all parts of the game. It is right to do that and we are proud of it.

Q94 **Dr Rupa Huq:** These parachute payments feel like a bit of a prolongation of the status quo rather than the real grassroots. I wonder if the surprising things that happen when someone shoots up will be more unlikely. I was there when Brentford went up at Wembley and there were grown men in tears. They had seen it happen at the old Wembley and the new Wembley. They were so excited. Are you sustaining what is happening now with the way these payments work? Will there be fewer fun moments for the little people? I remember when Cameroon got in the quarter finals in 1990. There are those surprises. I do not know.

Richard Masters: There are lots of surprises. The aspiration that makes the pyramid tick is still there. We have Luton back as our 51st club. The Premier League is just over 30 years old. It has had 51 clubs in it during that period. There is plenty of opportunity to get into the Premier League and we welcome everybody, whether you are Luton or Brentford who have made a success of their promotion and are doing well. It is up to the club to make that opportunity work for them. We believe we provide the platform to do that.

Q95 **Dr Rupa Huq:** I want to ask about something else that there has been resistance to regulation on, and that is the 3 pm broadcast blackout slot. I think it has been there since the 1960s. There are good arguments for it, like match day income stays, but there is an argument. We have not dwelled on women's football today but it is in many ways a separate entity, correctly so. Last week at this Committee the Sports Minister said there is an argument for lifting that 3 pm ban in the case of women's football so that it has a dedicated slot. What do both of you say to that?

Rick Parry: We support the growth of women's football, first and foremost. The potential is enormous and it is important that we embrace the growth of women's football and, in so doing, hope not to repeat many of the mistakes that we have made in the men's game.

The article 48 blackout is complex and it is not as simple as saying we can apply it differently for the women's game. Article 48 applies to the game. We cannot conjoin the men's and the women's when it suits and separate them when it suits. Our interpretation and the legal interpretation is that article 48 embraces the entire game. If we disapply it for women's football, we also have to disapply it for men's football.



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That has far-reaching implications because the whole idea of article 48 is not just to protect attendances at games. Historically, it was always to protect participation. Three o'clock on Saturday was seen as important. That is far from a trivial position.

Ironically, article 48 may be the one area where the Premier League and the FL are joined at the hip. Absolutely nothing is between us on that. Careful consideration is needed before article 48 goes.

Richard Masters: We will have a small celebration that we can agree on something, albeit that we are trying to resolve a thorny issue, which is how to best help to develop the women's game in this country. We are great supporters of the game. Our clubs are big investors in it and big participants in it. Indeed, we have had a number of discussions with the FA over the years about how we can assist and whether the Premier League should become involved or whether it should be entirely separate. That is ongoing.

Recently, our clubs agreed that they would make a financial loan to the new code that is being set up at the top of the women's game in the Premier League and have a seat on the board and provide a whole bunch of services to the game such as advice on how to commercially develop the league. I hope that is the start of something. It still has to be approved by the WSL board, but I hope that is the start of a relationship and the men's game can help the women's game in a whole raft of different areas.

I agree with Rick. Unfortunately, you cannot divide an article 48 commitment into different bits. Nothing suggests we can do that. We have a commitment going forward to apply article 48 across the FA, the Premier League and the FL for the foreseeable future.

Q96 **Dr Rupa Huq:** In some ways, it has been broken anyway because our kids' generation have to stream these things illegally from foreign channels. In some ways, it is eroding the whole reason it was set up in the 1960s anyway.

Richard Masters: Illegally, yes.

Q97 **Dr Rupa Huq:** When would you like to see the women's game televised if we will not have a dedicated slot?

Richard Masters: In a sense, nobody has a dedicated slot. The Premier League is under a regulatory obligation to televise 200 matches a year and it does so outside of a closed period in five slots, two on Saturday, two on Sunday and one on Monday night. However, the FL is regularly televised in similar slots as well. It is difficult to find a dedicated slot for anybody. There are gaps in our calendar when they overlap when the women's game can take precedence in international breaks and things like that.



The closer we work together, the more likely we are to find some additional opportunities for the women's game to take advantage of in the broadcast markets. They are currently in the broadcast market at the moment trying to find new partnerships for the foreseeable future.

Q98 Dr Rupa Huq: Is the lack of a consistent, dedicated viewing slot hindering the commercial development of women's football? Could that be a way out of it?

Richard Masters: When would that dedicated slot be?

Dr Rupa Huq: Do you not want to see one at all?

Richard Masters: Imagine a world where article 48 did not exist. It would not just create an opportunity. If it did not exist, if the commitment to it was taken away, you would see everybody televised on Saturday at 3 pm, including German football, Spanish football and so on.

Q99 Dr Rupa Huq: When should it be if it is not at 3 o'clock on a Saturday?

Richard Masters: If it has to be a dedicated slot when no other men's football is being broadcast, it is difficult to find a slot that is attractive to the women's game. If you put it on at Sunday lunchtime at 12 pm, it is not a particularly attractive slot. Sunday evenings, Friday nights. The answer to the question is not obvious, Rupa.

Q100 Dr Rupa Huq: Rick, do you have the same opinion?

Rick Parry: Richard has highlighted the practical issues. Again, nobody has a dedicated slot. We are all fighting for slots.

Q101 Dr Rupa Huq: Would that be good? It could help grow the women's game. We have seen with the Lionesses it is at an all-time high and can go higher.

Rick Parry: I am totally convinced about the potential of the women's game and absolutely convinced about what the Lionesses have done. The thing that we like most about the NewCo is the 75:25 revenue split. It is progressive and will lead to the sustainability of the game.

I am not against helping them to grow their TV audience in any way, shape or form, but the simple and facile answer would be, "Yes, of course we will find a dedicated slot". That would not be the right answer. We are more than happy to try. We are more than happy to support the women's game, but it is a complex question. It is not a trivial question. It is not a binary question. It is a complex question because of all the interest in the game.

Q102 Chair: At least women's football has united you all in something you can all agree on. Let's see if we can find something else.

The Committee has recently made a report into safety at major sporting events. You will probably have seen the private Member's Bill from our former colleague on this Committee, Kevin Brennan, which we have



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backed, to create a specific criminal offence for unauthorised entry to football matches and ensure those who break the law can be banned from them. Can you both agree on the need for this legislation as well?

Richard Masters: Yes.

Rick Parry: Yes.

Q103 **Chair:** Fantastic. Thank you very much. Before we conclude this panel, would either of you like to add anything that we have not asked you today that you would like to get on the record?

Richard Masters: No, thank you.

Rick Parry: I think we have covered everything. Please publish the Bill. Please get on with the state of football review.

Chair: Yes. It is clear from all we have heard today that the football governance Bill and indeed the independent regulator needs to happen as soon as possible. The Committee has been calling for that for a long time. It is not in the fans' interest that they have to wait for that to happen before a sustainable deal can come forward from the FL and the Premier League. If this was a Pompey game and you two were referees, we would be at the point where the fans were about to sing, "You do not know what you are doing". Let's hope that the barriers we have discussed today can be overcome as quickly as possible. Thank you very much.