How Australian Law Teaches an American Law Professor How To Advise a British Sports Manager Helping Build an Indian Sports League

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US Supreme Court says that sporting competitions require that competitors get together to agree on terms

“what is critical is that this case involves an industry in which horizontal restraints on competition are essential if the product is to be available at all.”

“What the NCAA and its member institutions market in this case is competition itself -- contests between competing institutions. Of course, this would be completely ineffective if there were no rules on which the competitors agreed to create and define the competition to be marketed.”

_National Collegiate Athletic Ass’n v. Board of Regents, 468 U.S. 85 (1984)_
Australian courts recognize a separate market for “competition organising services”

“the clubs were or were likely to be in competition for the services of the League and ARL as competition organisers.”

NEWS LTD and OTHERS v AUSTRALIAN RUGBY FOOTBALL LEAGUE LTD and OTHERS (Fed Ct. 1996)
Economic/competition question: is vertical integration between “competition organising services” and “competition participating services” a good idea?

- Australian Football League
- NASCAR
- Residual claimant theory
  - Alchian & Demsetz (1972)
  - Holmstrom (1982)
Ross & Szymanski say no

• Commercial leagues best organized by an entity separate from participating clubs
• Clubs seek maximum reward for minimum effort; leagues seek maximum effort and fan-responsive quality for cheapest “prize”
• Independent leagues more likely to set effectively league policy; club-run leagues set sub-optimal policy because voting members care about own club’s interests
Cartel problems explain absence of club competition in cricket

- ICC rejects 2001 Blueprint
- ECB rejects domestic plan because of county veto
- BCCI only innovated when forced to buy competition from ICL
IPL demonstrates benefits of residual claimant in sport

- More money for the sport (grass roots activity, incentive for athletes due to higher salaries, etc.)
- Efficient prize incentives
- Marketing allocation (?)
- Labour market rules
Thus, the globalization of sport:

- Australian Trade Practices doctrine creates the concept of “competition organizing services”
- U.S. law professor takes Australian legal concept and develops theory of why independent leagues are better, aided by insights from economic literature provided by British economist co-author
- U.S. law professor and British economist collaborate on book on why U.S. sports leagues should be re-structured with independent competition organiser, elaborating on details of new structure
- BCCI executive Lalit Modi develops idea for major club competition in India featuring private franchises
- British sports management firm (IMG), consulting with BCCI to create IPL, consults with us to develop details of new major league with franchises where league is controlled by independent entity, not franchises
- BCCI implements Modi vision, based on detailed structure established in consultation with IMG