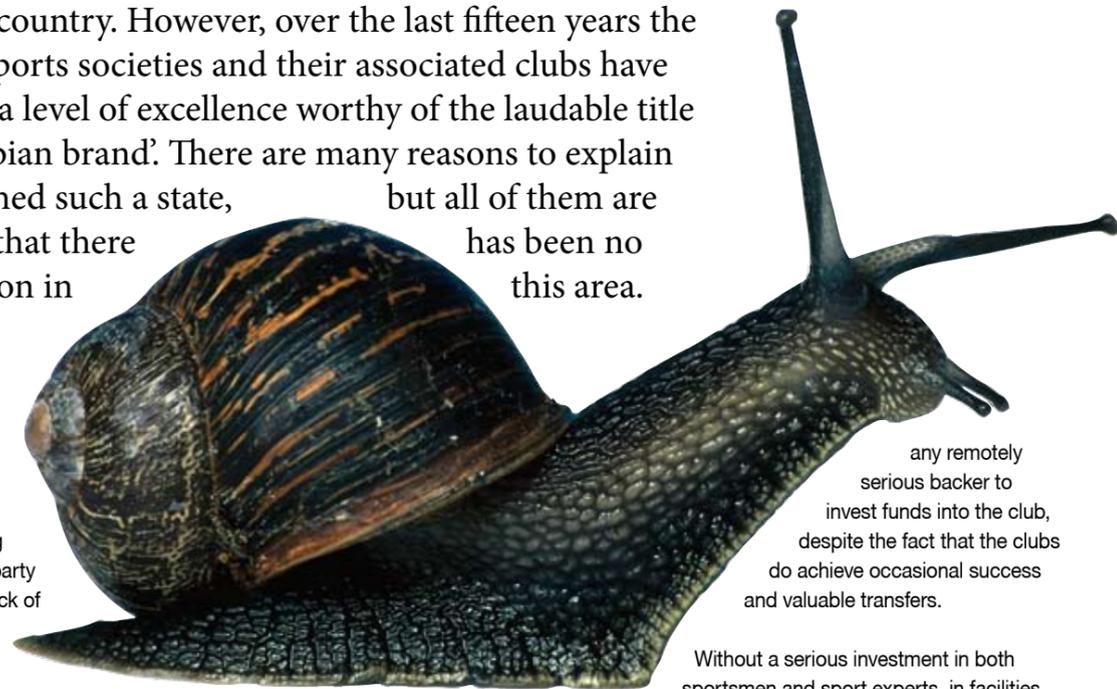


Sport privatisation



By: Igor Isailovic

It is widely accepted that the clubs Red Star (Crvena Zvezda) and Partisan Belgrade are amongst the most famous Serbian brands, and also that top athletes make excellent representatives/ambassadors of a country. However, over the last fifteen years the aforementioned sports societies and their associated clubs have not performed to a level of excellence worthy of the laudable title 'most famous Serbian brand'. There are many reasons to explain why we have reached such a state, but all of them are linked to the fact that there has been no reform of legislation in this area.



any remotely serious backer to invest funds into the club, despite the fact that the clubs do achieve occasional success and valuable transfers.

Without a serious investment in both sportsmen and sport experts, in facilities and equipment for training and competitions, and 'homely' management, it was not possible and it will not be possible to achieve any remarkable international success, and, hence, no financial gain with any amount of invested capital.

The public have been aware that domestic sports clubs work with great losses for some time and today it is not a surprise that most of our clubs, including the ones that represent our greatest brands, have had their accounts blocked.

Therefore, due to undefined ownership and management structures in sports societies there have been no serious investments in sport, since no one wants to invest in some-

Thus, while the legislative body of the country are busy with constant election campaigning and petty inter-party or inner-party squabbling, the consequent lack of energetic and revolutionary legislative activity has meant that many social spheres, including sport, are heading for disaster and a state of anarchy.

We are now witnessing how anarchy in sport has allowed people to use the lack of legislative regulations as a means of achieving their own personal goals. Often these people are of dubious moral quality and more often than not take part in activities which borderline with criminal behaviour.

However, the legislative body did not take the physical assassinations of sportsmen and sport managers, nor the affair about the so-called 'Sport mafia', as a signal that it is time to legislate within sport in order to provide the first and foremost condition for remedying the situation in Serbian sport.

The existing legislative framework and current problems

The basic reason, one dares to say, for the abysmal situation in domestic sport, is the fact that our sport clubs are organised as civil organizations where, at least in the clubs with the oldest tradition, nobody knows the identity of the individuals who are associated and whether any of them are conscious of their rights as members and, whether any of them are executing their basic membership duty of paying the membership fee.

Most of our sports clubs, therefore, do not have a defined structure of ownership or management, and such a situation would not induce



thing which will not belong to them and no one wants to be in a situation where they will not have control over the funds they have invested.

The running of sports clubs thus far has been based on financial support from the sports societies budget (which often had the monopoly in certain areas), and from the monetary contributions of some enthusiastic entrepreneurs, who were guided by various motives. Self-financing of the clubs completely disappeared because profit from ticket sales and sponsor contracts decreased significantly. Also, the quality of the league and the competition in which they participated was only occasionally high enough to create a star player, with whose potential sale/transfer could earn additional funds.

However, a great number of successful society-owned companies, traditional benefactors of Serbian sport, are already greatly privatised or about to be privatised, therefore also this source of income will soon be exhausted. It is difficult to believe that potential new owners would be willing to invest even one dime into a market which is not free.

New sport legislation

Most types of sport, e.g. football, basketball, tennis, even volleyball and water polo (not to mention motor sport or golf) have become intertwined with business. It is therefore necessary to introduce new laws which will facilitate a fair market environment and produce the possibility of profit for individuals interested in financing sport clubs whilst at the same time, protect the club from state investments and ex-members, stop the change of usage of sports venues for long periods (which discourages speculators), and finally, create conditions for the financing of so-called 'little sports' from profit won in the more popular sports.

It is a fact that we are going to be one of the last countries to install this type of legislation, however, this will be to our advantage as it will allow us to select a (for the want of a better term) 'privatisation' model, which is proven to be successful.

Among members of the legal profession a consensus has been reached about relevant elements of the new legislation, these elements are reflected in the following statements:

- Sport associations should be organised as shareholding company
- The buying of shares should be transparent, and the right to 'buy first' should be offered to players, supporters, sponsors, creditors, members and managers of a club past and present
- Legislation should provide the option to convert third party debts into shares so that clubs could be sold without commitments and its shares reach a greater market value
- Money acquired by share sales should belong to the clubs whose shares were sold on the stock exchange

Through so-called 'sport privatisation' we could finally achieve the ideal in which each club has its owner(s) and a clearly defined management structure ready to invest in the club to a level necessary to reach distinguished results and thus to achieve a sporting brand which becomes a synonymous with economic power, for example, Manchester United. ■

Author is partner of the Law firm Simeunovic-Ikonovic-Isailovic and a chairman of Basketball Club 'Crvena Zvezda'