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“Power to the People”

Sam Hollis, solicitor at Couchman Harrington Associates, considers the groundbreaking takeover of Ebbsfleet United Football Club by the web-based fans' community, MyFootballClub, and similar supporters' trusts initiatives both in the UK and abroad, including the proposed acquisition of Liverpool Football Club by Share Liverpool FC.

Introduction

MyFootballClub is an ever-expanding online community comprising currently over 30,000 football fans from around the world who have come together through the website www.myfootballclub.co.uk to purchase a 75% controlling shareholding in Ebbsfleet United Football Club.

In what has been described as the ultimate example of a real life fantasy football experiment, the MyFootballClub members will be collectively able to control the football club, both on and off the field (including team selection and player transfers), by way of a democratic voting process operated via the website.

Ebbsfleet United is a small club in the Blue Square Premier, one division below the Football League, which has now become famous for being what is thought to be the first example of any business, let alone a professional sports club, being taken over and operated by an online community.

The MyFootballClub model

Membership of MyFootballClub is open to everyone, anywhere in the world, through the website www.myfootballclub.co.uk. Overseas members are positively encouraged and it has been reported that MyFootballClub already has subscribers representing more than 75 nationalities around the world.

Members pay a subscription fee of £35, renewable annually. Funds from initial subscriptions formed a 'fighting fund' which was used to finance the reported £635,000 takeover of Ebbsfleet United. Following the takeover, membership subscriptions from new members and annual renewal fees will be added to the club's traditional sources of revenues, such as gate receipts,

sponsorship, television income and merchandising, to support the club's push for promotion into the Football League.

Already there are signs that the traditional sources of revenues are increasing in light of the club's heightened popularity and following. Attendances at matches are up, both at the club's home games and at away fixtures, and new commercial opportunities are being exploited, including a new partnership deal with EA Sports and a new merchandising deal with Nike.

The MyFootballClub model makes it less likely for the club to encounter financial difficulties as the membership subscriptions provide a brand new income stream for the club. All profits generated by the model will be reinvested in the club, meaning members will not be paid a dividend or a share of these profits. This will put the football club on a more secure financial footing, since there will be no shareholders who take money out of the club. This also means decisions affecting the club will be made purely for the club's benefit, and not by shareholders who have a vested interest. So, for example, if there's a great young player at the club who could be sold for a high transfer fee, the decision about whether to sell him will be made by members, not by an owner who wants to make a personal profit.

MyFootballClub members can vote to sell the club if they so wish. It will require a 75% majority to pass such a motion. However, as the club will not be run for members' profit, any proceeds from the sale would not be shared by MyFootballClub members and all proceeds would be given to a charity with similar objects. It is therefore thought unlikely in practice that the members would ever vote to sell the club.

Legal structure

MyFootballClub is structured in a similar way to most traditional supporters' trusts. There is nothing new in the concept of football fans coming together through a supporters' trust to take some form of ownership or control over their football club. Over 150 supporters' trusts have been established in the United Kingdom, having between them well over 120,000 members. Three clubs in the Football League are owned and controlled already by supporters' trusts: namely Notts County, Stockport County and Brentford. Further afield, Barcelona football club is owned collectively by over 150,000 of its fans through a supporters' trust model.

Like most supporters' trusts in the United Kingdom, MyFootballClub has been registered as an Industrial and Provident Society (IPS) with the Financial Services Authority (FSA). However, the MyFootballClub constitution has been uniquely tailored to allow for widespread voting through the website on a 'one share, one vote' per member basis – by way of an online show of hands, if you like.

As an IPS, all of MyFootballClub's actions and conduct will be regulated by the provisions of the Industrial and Provident Societies Acts, 1965 to 1978, under the control and supervision of the FSA in order to safeguard members' interests. The FSA operates a model rule system and

monitors changes from the model such that rule changes that fall foul of the MyFootballClub constitution or the legal requirements for an IPS will not be registered.

Team selection

Liam Daish, the manager of Ebbsfleet United, has been given a contract extension but his role and title has changed. He is now called “Head Coach”, not “Manager”, and moving forward, whilst he can guide the members on which players and formations may work, ultimate responsibility for team selection and tactics will rest with the members.

The Head Coach will brief MyFootballClub members on playing matters via regular updates on the website, including a review of the previous match, reports from the training ground and views on the forthcoming opposition. He will also give his thoughts on players, their form and fitness, as well as possible selections and tactics. Members will then vote on decide their preferred team, formation and tactics.

Player transfers

MyFootballClub members will be able to suggest transfer targets, as will the Head Coach and club scouts. It is proposed that deals to buy these players will be done in principle, and then members will vote whether to accept or veto the transfer. The same process is proposed to take place for outgoing transfers.

However, modern transfer business is arguably too complex for a club to signal their every intention with a time-consuming online poll. Deals can be hijacked; decisions are needed in minutes. Then there are issues surrounding fees, wages and payments and agents. It remains to be seen whether in practice MyFootballClub will make the minutiae of every proposed transfer available to its members to better inform their decision. If so, there may be a heightened risk of failure as rival clubs will be able to find out exactly what bid or financial package needs to be matched.

Comparable projects

Similar projects to MyFootballClub have recently started to appear both in the United Kingdom and abroad. In Spain, “www.miclubdefutbol.com” proposes to raise funds and buy a Spanish lower league club; as does “Mi Equipo Favorito” which was launched in January 2008 with the aim of acquiring a club in a Spanish league. In Italy, an online community called “Squadramia” is seeking 20,000 members to buy an Italian football club. Further afield, in Brazil, “Meu Time de Futebol” was launched in January 2008 with the aim of acquiring a club in the second tier of Brazilian football by the end of this year; and in Russia “www.MyFootballClub.ru” has been established, but is not affiliated with MyFootballClub.

Closer to home, here in the UK it was perhaps the announcement of the “Share Liverpool FC” initiative which has received the most press coverage since MyFootballClub bought Ebbsfleet United.

Share Liverpool FC

In January this year, Liverpool supporters unveiled a project called “Share Liverpool FC” which aims to create a “member-share” scheme at Anfield whereby 100,000 people invest £5,000 each to buy the club. If successful, the £500m raised would be used to buy-out co-owners Tom Hicks and George Gillett and to help finance the building of the new stadium planned for Stanley Park.

Share Liverpool FC have launched a website, in English and Chinese, to attract interest from the club’s worldwide supporter base, particularly in East Asia. The plan is supported by Supporters’ Direct and is structured with the usual hallmarks of a supporters’ trust. So far the group is reported to have a core of 9,500 fans who have pledged £5,000 each and another 9,000 fans who have expressed interest but want more information. Although they still remain some way short of their stated targets, the group is expecting the pledges to keep flooding in once the initiative gains momentum and increased awareness amongst the millions of Liverpool supporters around the world.

Conclusion

It remains to be seen whether or not Share Liverpool FC will prove to be successful. In the case of MyFootballClub, however, its immediate successes have been striking. Off the pitch, there are already some 76,000 people following MyFootballClub and Ebbsfleet United, including 30,000 fully paid up members (a number that is increasing all the time) and another 46,000 people who have registered their interest on the website. On the pitch, the club is just a few points off a play-off place for entry to the Football League and has just reached Wembley for the first time in its history – the club will play Torquay United on 10th May 2008 in the FA Trophy Final.

In times when football has become such an expensive hobby for so many, the refreshing MyFootballClub model encourages a broad section of people, local or otherwise, to engage with a small, inclusive club - and all for less than the price of most Premiership match tickets (or, for that matter, for less than a new football manager computer game). For those who believe in the clichéd concept of fans being the 12th man on the pitch, it is exciting to think that this tiny club, previously playing to half-empty stands, may quickly acquire a loyal and vocal support both on and off the pitch.

Fingers crossed for Wembley on 10th May!

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