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Football, TV And Populist Payment Plans

By Konstantin Sonin

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Nothing unexpected has occurred so far in the story surrounding plans to move broadcast of most Premier League football matches to satellite pay-TV station NTV-Plus. The economic rationale behind the plan is strong. This didn't stop President Vladimir Putin from expressing surprise on learning that poorer Russians might be deprived of seeing these games for free. Putin sent First Deputy Prime Minister Dmitry Medvedev -- who just happens to be chairman of Gazprom, which effectively controls NTV-Plus through the Gazprom-Media holding, and is the leading favorite to succeed Putin in 2008 -- to sort out the situation. The number of football games broadcast for free is likely to be increased significantly.

Of the proposals that have been made regarding a switch to paid broadcasts, the NTV-Plus proposal seemed the most sensible. First off, the plan allows for the broadcast of 30 games on Channel One television, which is available for free, while the remaining matches will be broadcast on the Our Football pay-TV channel at the very reasonable price of 300 rubles, or \$11, per month (after, of course, shelling out just under \$300 for the satellite equipment). Regional stations outside Moscow would be allowed to broadcast games involving local teams.

Despite the fact that this has been the most popular plan among those negotiating the agreement, don't think it's a done deal: Most Russians believe all games should be shown for free. The president voiced the opinion of this majority because it would have otherwise gone unspoken. This has been one of the keys to Putin's success.

If, as looks likely, Putin's point of view and that of the majority of the population prevails, the football clubs stand to lose. Substantial sums of money were involved in the NTV-Plus deal, which was modeled after those in place in European leagues. But the clubs aren't the only ones who would lose. Who, for example, would end up paying for the free broadcasts?

The answer is: the same people who now pick up the tab for the operations of most of the league's clubs, Russia's population.

State-owned companies like Gazprom or private companies that get tax breaks in return for their donations cover most of these clubs' budgets. So the Russian taxpayer picks up part of the tab whether he or she watches games or not. With the pay-TV broadcasts, the people watching are the people paying. This relationship between the clubs and their fans is more rational economically, but Putin's populist outburst threatens to put an end to it even before it starts.

It is another matter that the sums in question are not large. Anton Orekh of the online newspaper Yezhednevny Zhurnal calculated approximately how much each Russian pays for Zenit midfielder Anatoly Timoshuk, whose signing was financed by Gazprom. If each of Russia's 140 million men, women and children contributes 2 rubles toward Timoshuk's \$20 million-per-year salary, this would cover about half the total, with Gazprom picking up the remainder. Thus, it costs the average Russian a bit more to provide free coverage of football games, while the overall income for the clubs would remain about the same.

If dividends from our natural resources were paid directly to the people and not through providing some benefit -- like free football -- a lot of people, as the discussion surrounding NTV-Plus suggests, would spend the money differently.

Why we allow our government to spend our money so easily is a much more complicated issue than polemics about football.

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