


Webinar
Brief 26:2021

SETTING UP A Cricket Market in Pakistan



Pakistan Institute of
Development Economics

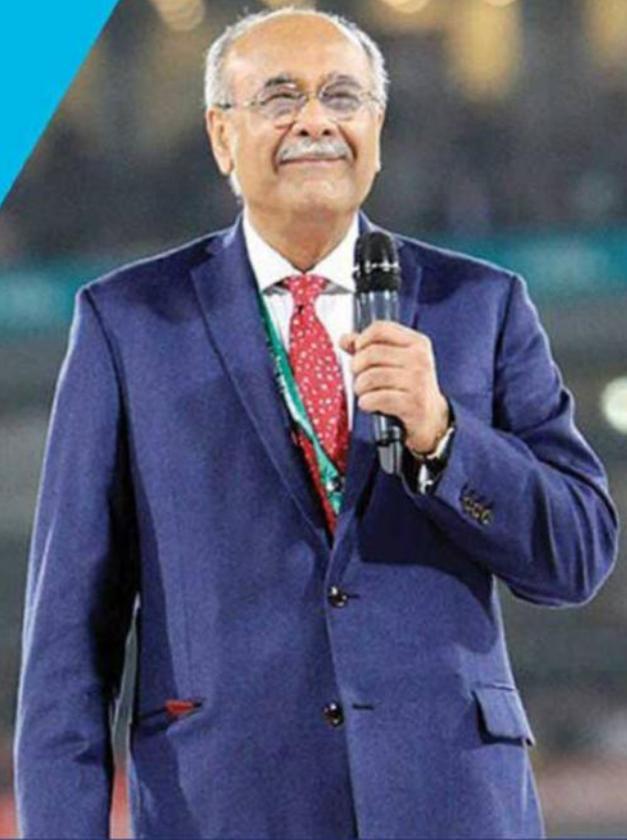


Pakistan Institute
of Development
Economics

PIDE Webinar

Setting up a Cricket Market in Pakistan

March 20, 2021, Saturday
06:00 P.M. PST



Cricket Leagues have become one of the raging phenomena across the globe. The existing scholarship asserts that such professional leagues provide profitable avenues for players, governments, boards, public and investors. Among the determinants of growth of sports industry are identified public interest, attraction of celebrities, sponsorship of multinational companies and returns on investment. Also, the revenues generated from sports constitute significant determinant of growth of sports industry.

Following this tremendous growth in the sports industry on global front, cricket leagues are turning into more institutionalized and professionalized avenues for economic growth. Pakistan Super League (PSL) is the most visible manifestation of interest in the cricket league in the country. Set against the backdrop of burgeoning sports industry (with a focus on cricket leagues) as an avenue for generating growth, economic value and employment in Pakistan. The current webinar entails to:



1 Understand current issues and challenges faced by the sports industry of Pakistan.



2 Explain how sports industry of Pakistan can generate income and employment opportunities in the country.



3 Understand the structure and dynamic of cricket market in Pakistan.



4 Understand PSL as an opportunity for income generation and employment creation in Pakistan.

Guest Speaker:

Mr. Najam Sethi

Author, Journalist, Political Commentator
and Chairman of PSL

Moderator:

Dr Nadeem Ul Haq

Vice Chancellor, Pakistan Institute of
Development Economics



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Dr. Nadeem ul Haque's Opening Remarks

- Pakistan has the largest population of young people and unemployment is one of the biggest issues.
- Employment is hard to generate in the absence of long-run growth and investment.
- We should need to promote our sports industry so that the problem of youth unemployment can be solved.
- One sports team can employ around 500 people in different categories, such as trainers, staff, admin staff, physiotherapists, security, etc.
- The sports industry around the world is a billion-dollar industry and still has huge potential for expansion. Then why is the sports industry not operational in Pakistan?
- The sports market should be looked upon as an industry. By looking at it as an industry it will create opportunities for the economy and employment for the population.

Najam Sethi's Views

Impediments in setting up PSL Pakistan Super League (PSL)

PCB was not able to organize PSL due to various reasons such as

- Absence of International cricket in Pakistan.
- Terrorism and unwillingness of foreign players to play in Pakistan.
- Lack of knowledge and know-how of Pakistan Cricket Board (PCB) in setting up league cricket. Around 8-10 crore was already spent by PCB in trying to run PSL for the past two years before it officially started.
- Bureaucracy; All the previous chairman of PCB were retired army generals, judges, cricketers, etc. who have no idea about marketing. Similarly, all sports organizations are run by bureaucrats or players instead of professional economists and businessmen. Therefore, they fail to understand the business models.
- One major hurdle was how to get sponsorships for the league. In the beginning, there was no competition in the bidding which led to unreasonable and low offers against teams.

Business Model of PSL

- The business Model of PSL is dependent on:
 - Broadcasting Rights.
 - Sponsorships.
 - Franchise Merchandise.
 - Filling up the stadiums adds only a small proportion to the whole revenue.
- Looking at the Business model it was feasible to conduct PSL in Dubai along with the revenue, foreign players could also be pursued to play in PSL.
- Keeping in view the reservations of the foreign players regarding payments, PCB took the whole responsibility and not allowed an option for the private sector whereby they could default.
- The business model relies heavily on the central pool from which resources are shared among PCB and franchises, PCB distributes 50% to 85% to franchises from the central pool.

Media Broadcasting Rights

- Only PCB deals with media broadcasting rights.
- Selling the rights is critical to the business model.
- Central pool revenue is generated by selling media broadcasting rights.
- Rights are sold for three years to sports T.V channels via auction.
- Channels have the right to production and telecasting of the fixtures.
- All the advertisement revenue will be received by the channels that bought the rights.
- If T.V ratings are good then the revenue streams for bidders increases and they are inclined to bid more in auctions.
- Pakistan has just two Pakistan-based sports channels. PTV had a monopoly that needs to be broken. All channels should have the right to broadcast the sports fixtures which will cause further expansion of the game.
- Alongside Media T.V broadcasting rights now right for broadcasting via the internet are also sold.

How PSL get profitable?

- Foreign private consultants were hired and offices were set up in Pakistan with a Pakistan-based team keeping in view the lack of knowledge and expertise of PCB. An alternative of private consultants was to hire companies with Englishman and Indians operating PSL with a secretariat in Dubai and that would have cost 3-4 million dollars.
- In the beginning, PSL was, to begin with, 5 teams and eventually ended with 8 teams in ten years.
- Initially 6 bids were received against 5 teams leading to auctioning the franchises for less amount.
- By auctioning franchises 10 million dollars per year was expected to be generated but the actual was 9 million dollars per year.
- By selling broadcasting rights for three years PSL was expected to generate 10-16 million dollars but the actual revenue was around 6-7 million dollars.
- PCB made a net profit of 2.5 million dollars in the first year and after reimbursement to the franchises due to unanticipated loss bear by them PCB ended up with approximately half a million dollars.
- To curb match-fixing PCB has set up an intelligence team and insights from ICC are also taken into account. PCB has zero-tolerance when it comes to match-fixing as it can cause the whole business model to collapse.
- Net profit from PSL in the second and third year was 3 and 5 million dollars respectively and now it's up to 10 million dollars.
- PCB being an autonomous body has now turned into a rich organization due to PSL.
- PCB's only source of revenue before PSL was ICC international fixtures and now its income from PSL is equivalent to what it used to earn from ICC international fixtures.

Auction of Franchises/ Teams

- Franchises/ teams are the asset of PCB and belong to PCB which are leased for 10 years via auction.
- Franchise Quetta was auctioned for 1 million dollars per year similarly to Karachi and Lahore for approximately 2.5 million dollars per year each and Islamabad and Peshawar were auctioned for around 1.5 million dollars per year each.
- The sixth franchise which was added later was auctioned for an overvalued rate of above 5.5 million dollars due to the high bid by the bidder. PCB would have happily auctioned it for 3 to 4 million dollars. Such practice should be avoided as it isn't good for the business model.
- Franchises were expected to generate revenue from sponsorships and merchandise on their own.
- Franchises have failed at treating PSL as a business proposition and failed to get revenue from sponsorships and by selling merchandise.
- Franchises lack an efficient commercial approach while operating franchises.
- Franchises failed at creating city-based fan bases which would have helped in merchandising.
- Disruptions caused as a result of moving PSL from Dubai to Pakistan, with the depreciation of rupee against dollar and for the past two years loss encountered due to covid have increased the financial problems of the franchises. Which could have been somewhat mitigated if they have performed well commercially in attracting sponsorships and merchandising.
- Plenty of potential income streams and commercial space are widely available to be exploited by the franchises if they would work financially efficiently.
- Franchises are engaging media houses, increasing viewership, and creating employment.
- PCB should negotiate the revision of terms that are demanded by the Franchises keeping in view the prevailing circumstances.
- Resale of the franchise is possible after scrutiny of the potential buyer by PCB.

Obligation of Franchises

- Obligations of franchises are to
 - Pay an annual fee at which the team was auctioned.
 - Train teams.
 - Get the teams together and Train them.
- The current Franchisee can retain the franchise for ten more years when the lease expires by paying 25% more of the reserve price set by the PCB for the team.

How is PSL helping the young Talent?

- “PSL has opened up a vein of gold” as evident from the current international Pakistan team.
- A lot of young players are getting chances and are added to the international pool of cricketers after proving themselves.
- Franchises conduct talent hunt programs across the country and some 50,000 young players show up on such camps.
- A player playing PSL earns equivalent to what a player earns after getting signed by PCB for international duties.
- Players are earning huge sums of money, 10 % of the budget is allocated by franchises to spend on teams. Foreign players are being paid 150,000 to 200,000 dollars for playing 10 or 12 matches and similarly, the players in different categories are paid such as gold, platinum, silver, etc the minimum that a player will get are 50,000 dollars and the maximum is up to 200,000 dollars.

Who maintains the stadiums?

- There are two types of cricket stadiums:
 - Built and owned by local government and provincial governments.
 - Built and owned by PCB.
- The stadiums that are owned and maintained by PCB, are allowed to host international fixtures and PSL fixtures.
- Several PCB-owned stadiums are in despair due to the absence of international fixtures and lack of funding by PCB.
- All stadiums are owned by the government sector except the one stadium in Bahria town.

Future of Sports

- PSL has broken the ice, PSL model is emulated in other sports in Pakistan e.g., Hockey, kabaddi, football, etc.
- Associations are trying to exploit the enormous business potential in the sports industry.
- PSL type ventures are expected in major crowd pulling sports in the next two to three years in Pakistan.
- The sports industry in Pakistan is export-oriented and industries are reluctant to engage in any league as a major share of their turnover is from export.
- Government should just regulate the market and let the private sector do the work. All such leagues and sporting activities around the globe are successfully conducted by the private sector. PSL was made possible because Najam Sethi was from the private sector. Bureaucracy lacks the skill and expertise and most are hesitant to conduct such activities due to the fear of accountability.
- Due to the presence of bureaucratic red-tape, the private sector is reluctant to negotiate with the government.
- legislation is required to get the government out of this sector let the private sector in for the sake of the development of the sports industry.
- In a country like Pakistan, the way to move forward is Public-private partnerships, with the private sector in partnership with the government as all the permission for setting up leagues lies with the Government sector.
- PSL is currently worth around 250 to 500 million dollars, In terms of its net worth and potential.
- PSL-like ventures can also be made possible in other sports if young and dynamic businessmen enter the sports industry and the market is left to the private sector and hurdles faced in getting permissions from various government departments are put to rest.



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