Pay To Play?

Cycling's governing body, the Union Cycliste Internationale (UCI), and Tour de France race organizer Amaury Sport Organisation (ASO) recently backtracked on one of the key WorldTour reforms both parties agreed to this year. The number of WorldTour teams in 2017 will remain at 18 instead of the ratified plan to trim it to 17, a move which enables continuity of the Dimension Data team's WorldTour license next year, and quite possibly, the team's longer-term survival. But by agreeing to make this exception, The UCI and ASO have set a dangerous precedent and a further potential setback to the sport's investment climate.

Control over the sport's economic future is at the heart of the matter here, just as we have described in several previous articles. The UCI and ASO seem incapable of breaking their long standing stalemate over how the sport should be run, and as a result, their proxy war continues to dominate pro cycling's political and governance landscape. The recently-ratified reforms were geared to resolve at least some of these impasses. But ASO has proven to be inflexible over any changes which might undermine its market dominance, even if the changes might encourage more financial sustainability for the sport overall. The race organizer at first appeared to be a willing contributor to the reforms planning process, but blocked it at the eleventh hour over several key issues governing WorldTour team licenses.

As we described earlier, ASO leaned heavily on the UCI to incorporate a form of relegation/promotion for teams, a reduced number of overall WorldTour team licenses in the coming years, and a minimum number of those teams required to race in each of the WorldTour events. Most importantly, ASO objected to the number of years a WorldTour license would be guaranteed, forcing the UCI to trim this reform from three years to just two. All of these changes favor ASO by increasing its control over which teams it could invite to its races, supposedly "encouraging" competition among teams to enter races in the ASO portfolio, and consolidating the viewership draw in its races by requiring top teams to be present at every starting line. These revised reforms generally reinforced the sport's *de facto* financial dependence on ASO's Tour de France.

But it seems those reforms negotiations may have been prematurely concluded. The new rules were left open to interpretation, such that Douglas Ryder, owner of the Dimension Data cycling team's license, could have sued the UCI to ensure its place in the WorldTour next year. The UCI decided to reverse course and maintain the 18 team limit, rather than face a lawsuit that could potentially have gone all the way to the Court of Arbitration for Sport. Somewhat surprisingly, ASO agreed to go along.

Both parties have a lot riding on the successful implementation of WorldTour reforms, but it's not actually so surprising that ASO would quickly agree to the rollback; Dimension Data pays ASO approximately $2.2M USD for the sponsorship naming rights as "the Official Technology Partner of the Tour de France." Although ASO could still have invited Dimension Data to the Tour de France as a wildcard team, it would have potentially shot itself in the foot if the team had been excluded from its other WorldTour events.

This allowance for Dimension Data unfortunately raises the specter that sponsorship in pro cycling might be tilting towards a "pay-to-play" situation. A starting spot in the Tour de France is still cycling's most coveted marketing prize, converting team sponsor investments into millions of logo views and improved brand awareness. But that team sponsor also potentially creates conflicts of interest if it enters into a direct sponsorship agreement with the Tour de France's owner – the kind which might affect judgment on critical business decisions, like upholding regulations or making these kinds of exceptions.

(There is some precedent for this model of sponsors simultaneously investing in teams and race organizations. Computer Sciences Corporation sponsored one of the dominant teams during the mid-2000s, Team CSC, and was simultaneously ASO's information technology partner. However, the team did not rely on this dual-sponsorship track to receive race invitations because it had the points, riders, and performance track record to race in all of ASO's events.)

The key objective of the WorldTour reforms was to standardize team participation rules and provide greater stability, allowing team sponsors to more predictably monetize their investments in pro cycling. Instead, the UCI and ASO may have inadvertently demonstrated how to avoid WorldTour regulations, and effectively *de*stabilize team sponsorships by selectively favoring those which invest more in key races – in terms of unrelated, but potentially influential, financial commitment. Instead of creating value, there may now be even more downward pressure when investors assess team sponsorship decisions in the future.

Dimension Data would not have met the sporting criteria to be included among the 17 approved WorldTour teams next season. Based on final 2016 UCI points calculations, the new Bahrain-Merida team has enough from its veteran signings to be provisionally ranked at #7 (#8 if Joaquim Rodriguez retires). Bora-Hansgrohe, with its radically upgraded cast, will enter in at least at #6. Dimension Data technically finishes 2016 as the #16 team but drops to #18 at the start of next season.

But if we set points chasing aside, this situation actually highlights the real impasse here: the fact that such a successful and responsibly-managed team might not even be included in the WorldTour. A sustainable sports entertainment enterprise does not relegate teams, but rather has the structure and financial power to ensure stable participation through a franchise model. Pro cycling lacks a collaborative business plan that binds race organizers, the teams, a rider's union, and the governing body in that kind of mutually beneficial economy. In a true league model, teams have continuity at the top level, while sponsors of those teams can come and go.

More to the point, all of the sport's stakeholders should be collaborating on ways to create new revenue streams, rather than entrenching the existing ones. Dimension Data is not the "bad guy" in this unfolding story; its commitment to cycling is a compelling indicator of the sport's sponsorship draw and continued globalization. A reform like the proposed three-year WorldTour team license guarantee would have been a positive step in the franchise direction, creating even more incentive for big sponsorship investments. But the UCI created a deeper power vacuum by first agreeing to ASO's WorldTour reform demands, and then – by undermining them – ceding even more financial leverage that helps ASO maintain commercial control of the sport.

Dimension Data *should* have been relegated per the reformed WorldTour rules. The resulting blowback from other teams, sponsors, and race organizers in the aftermath would have sparked a more progressive reevaluation of the sport's business landscape. But as American Hall of Fame baseball legend Reggie Jackson once said of his influence on his team's fortunes in the 1970s, "I'm the straw that stirs the drink." ASO has proven yet again that it is the straw stirring cycling's drink. Instead of moving two steps forward with these reforms, pro cycling is more or less standing firm on its historical legacy of missed opportunities.

Joe Harris and Steve Maxwell, October 31, 2016