

FOCUSSED ON THE MAIN GAME

by Bonita Mersiades

Presentation to the Chartered Secretaries Australia Conference – The global view of governance,
Sydney, 6 December 2011

Introduction

Thank you for the invitation to be part of this presentation today on examining governance in a large sporting organisation such as FIFA, along with Australia's 'Mr Soccer', Les Murray, who is also a member of FIFA's Ethics Committee.

I want to paint a picture about the tsunami of corruption allegations engulfing FIFA as well as what's happening closer to home at Football Federation Australia (FFA).

About FIFA

FIFA has 208 member associations which make up what FIFA President Sepp Blatter calls the 'football family'. Some critics liken it to an organised crime syndicate with the six families being the six Confederations that cover Africa, Europe, North and Central America and the Caribbean, South America, Oceania and Asia of which Australia is a member.

FIFA's overarching organisational body is the FIFA Congress which President Blatter likens to a Parliament. But, if it's a Parliament, it runs more like Pyongyang or the Soviet Union under Stalin, than something we'd expect out of Canberra, Washington, The Hague, Tokyo or Brasilia. In addition to the usual coverage of business class air fares and luxury hotels, the three delegates from every member association who attend the annual Congress enjoy five days in locations as diverse as the Bahamas, Zurich, Sydney and Budapest and receive a minimum of US\$200/day for incidentals – generally drawn in cash.

The FIFA body that has come under the spotlight since December 2010 in particular is the FIFA Executive, or ExCo. The FIFA Executive comprises 24 people: the President, eight Vice-Presidents and 15 other members. The President is elected every four years by the FIFA Congress. The eight Vice-Presidents and 15 ordinary members are also elected every four years, but by their own Confederations' Congress.

In 2011, seven new members joined the ExCo. Those who are still on ExCo who took part in last year's World Cup vote range in age from 53 to 84 and have served on the ExCo for an *average* of 13 years. Two members have been there for 24 years. So these men – and they *are* all men – have known each other for a long time and have established relationships and ways of working together.

FIFA's understanding of governance

Last week, an eminent corruption expert, Professor Mark Pieth from the University of Basel, published a report prepared for FIFA which, when stripped back from its diplomatic language, essentially stated that he could find no aspect of FIFA's governance and management structure that was worth keeping.¹ Professor Pieth said that FIFA does not meet the governance standards expected of a public sector, corporate or highly commercial organisation, and FIFA is a combination of all three.

¹ 'Governing FIFA: Concept paper and report'. Professor Mark Pieth, University of Basel. 19 September 2011

Pieth also states that while FIFA is not a public body legally, it should be incumbent upon FIFA ethically and morally to act like a public body simply because of the significant stakeholder base that it represents. This requires:

1. appropriate, equitable and inclusive representation of the game's stakeholders
2. transparent and accountable decision-making
3. best practice management systems
4. compliance with the rule of law, and
5. finally, accountability of leadership.

In all of these areas, FIFA has failed its constituents.

Forgotten stakeholders

There are two important stakeholders missing from the representative make-up of FIFA: players and fans. They are the forgotten stakeholders of the game.

Some will argue with this, of course. They will say that the 208 national member associations represent these groups - but they don't in any structural sense.

They are not explicitly recognised in FIFA's Statutes; locally, they are not recognised in FFA's Statutes or Constitution; and I would be surprised if they are in anything more than a handful of the 207 other football associations around the world.

So even though 265 million people play the game, and around 3.5 billion people are active fans of it, only 208 people can vote for the President of FIFA.

In June this year, 186 of them did – including Australia - in a one-horse race after Blatter's only rival for the Presidency, Mohamed Bin Hammam of Qatar, was accused, along with the President of CONCACAF, Jack Warner, of bribing members of the Caribbean Football Union to vote for Bin Hammam.

This came to light after another ExCo member – Chuck Blazer of the US, who is under separate investigation - provided evidence of wrongdoing to FIFA within days of the Presidential election. Bin Hammam has been banned from all football activity for life, subject to appeal, and Warner resigned from all football activity prior to his hearing by the Ethics Committee with a presumption of innocence. By the way, Mohamed Bin Hammam and Jack Warner were two of the people Australia courted in its failed bid for the 2022 World Cup, along with Reynald Temarii who was suspended from FIFA in November 2010.

Conspiracy of silence

Blatter continues unchallenged because those who have a seat at the table of FIFA are either as out of touch as Blatter with what the community think, or financially dependent on the 'development' funds handed out by FIFA to their member association, or believe there is something to be gained by being complicit by not 'rocking the boat'.

Here are a few examples.

Blatter recently said that racism on the field can be solved by shaking hands at the end of the match. Within the English speaking world at least, his comments were met with derision and were condemned by prominent current and former players, the media, fans and, in Britain, politicians. But Blatter is not the only one. The Senior Vice-President of FIFA and Chairman of the FIFA Finance Committee, Argentina's Julio Grondona, said in an interview in 2003 that "I do not believe a Jew can

ever be a referee at this level. It's hard work and, you know, Jews don't like hard work." He was universally criticised for that disgraceful remark but FIFA has never said a word.

As President of UEFA, Michel Platini is widely considered the second most powerful person in football after Blatter. He is amongst the top 10 players ever, has been on the Executive Committee of FIFA for ten years and is widely considered to be the heir apparent to Blatter. He speaks - and people hang off every word; he is in an unassailable position to show leadership and breach the moral vacuum of FIFA; but he doesn't because he wants to be the next President of FIFA and he believes the best way of getting there is to remain silent. For ten years.

Australian mining billionaire, and owner of Gold Coast United in the A-League, Clive Palmer tweeted last week he thought it was a "disgrace" that Australia's FFA had been silent on Blatter's comments on racism. He went on to say the game needs new leaders. When Ray Gatt, football journalist with *The Australian* newspaper, asked him did he mean new leaders at FIFA or FFA, Palmer replied "both". This is the same FFA which, earlier in the year, failed to nominate a third - and cleanskin - candidate for the FIFA President when presented with the opportunity; and which then went on to support Blatter in the one-horse Presidential race - rather than abstain - because to do otherwise would be an "empty gesture". But only a few hours after Palmer's tweets, the newly elected and unopposed FFA Chairman, retail property billionaire Frank Lowy, teased us all that Australia may still wrest the 2022 World Cup from Qatar because he knows something we don't know. As Richard Hinds wrote in Australia's Fairfax press last week: "Even if, as some argue, the FFA's silence about FIFA corruption and Blatter's public gaffes is based merely on the need to retain a good working relationship with the world's governing body, the failure to condemn seems craven."²

When I contacted the President of a football association in a third country in March to ask him if his football association would consider nominating the cleanskin candidate for FIFA President, he said "No, we want to support Blatter because he's given us lots of development money over the years." The best I can say about this is that he was honest. This football association President holds a senior executive position with a multinational corporation that is ranked in the top 10 in the world by revenue, so he must have some understanding of transparency of decision-making and corporate governance.

But 'development money' is the elephant in the room of FIFA and one which I expand on more a little later.

However, what these three examples demonstrate is that dissent is silent amongst those who walk the corridors of football power.

Instead, the heavy-lifting on commentary and critical analysis has fallen to the two groups of stakeholders who are not represented - players and fans - as well as the some sections of the media. I say "some sections" of the media because, with a few exceptions, the critical commentary is mostly non-existent from football reporters. This is especially the case in Australia where it's a small market and the football media is entirely dependent on their relationship with FFA who expect and reward the media as an extension of their PR machine.

None of this is new

Some people have been aware of FIFA's lack of transparency in decision-making for some time.

In November last year, British investigative journalist and BBC 'Panorama' reporter, Andrew Jennings broadcast evidence that the former FIFA President, Joao Havelange, had accepted bribes from a

² 'Lowy must forget World Cup and condemn FIFA', Richard Hinds, *Sydney Morning Herald*, 30 November 2011

company called ISL in exchange for lucrative TV contracts. Havelange was also a member of the IOC, was FIFA President for 24 years immediately prior to Blatter and remains Honorary President of FIFA.

Jennings has won several awards for his work, the most recent in October from Play the Game. He first named Blatter, Havelange and three other FIFA ExCo members as corrupt in his 2006 book 'Foul'³ which has been published in 16 languages. The evidence Jennings has compiled suggests that ISL paid around US\$100 million in bribes to senior officials of FIFA and other international sports as the competition for TV rights accelerated. According to Jennings, Blatter took extraordinary steps to ensure ISL was favoured over IMG when the TV rights were up for grabs in the mid 1990s. Neither Jennings nor the BBC have ever been challenged in the courts despite FIFA's deep pockets.

The day after the 'Panorama' broadcast last year, the IOC Ethics Committee contacted the BBC and asked to see its evidence.

One year later, in December 2011, following investigation by the IOC Ethics Committee, Havelange resigned from the IOC prior to the Ethics Committee findings being handed down. It is expected that the IOC will soon announce penalties against two other IOC members named in the BBC evidence: an IAAF official and another FIFA VIP, ExCo member Issa Hayatou from Cameroon.

But the question for FIFA is why hasn't the FIFA Ethics Committee taken action also?

It's not an issue of rejecting the BBC/Jennings evidence, because FIFA hasn't even asked to see it.

My co-presenter, Les Murray, referred to Jennings at the end of last year as a "discredited moron". Putting aside whether this is true or not, at the very least it suggests that, coming from a longstanding member of the FIFA Ethics Committee, a decision had been made to ignore the evidence compiled by an investigative journalist of 40 years experience in the field - evidence which the IOC Ethics Committee felt compelled to examine for the good of the Olympic movement, rather than face the reputational risk of not doing anything.

In 2007, the BBC broadcast evidence compiled by German investigative reporters of the payment of bribes related to Germany winning the rights to host the 2006 World Cup. But did the FIFA Ethics Committee ask to see the evidence? By the way, two of the people heavily involved in the German bid were engaged by FFA in key consulting roles for the Australian bid.

In 2008, Judge Siegwart of the Zug court in Switzerland revealed during the trial of six ISL executives that the total amount of bribes paid between 1989 and 2001 was around \$100 million, and also identified another FIFA ExCo member as a recipient of payments. But did the FIFA Ethics Committee ask to see the evidence?

The answer is "no".

Despite what Ethics Committee members are obliged to say about the FIFA Ethics Committee being an 'independent judicial body', it is not. Its members are selected by Blatter and all references to the Committee come via the CEO of FIFA.

It's worth noting that in January this year Judge Guenter Hirsch, a former President of the German Federal Court resigned from the FIFA Ethics Committee stating that: "...responsible persons in FIFA have no real interest in playing an active role in resolving, punishing and avoiding violations against ethics regulations of FIFA."⁴

³ 'Foul! The Secret World of FIFA: Bribes, Vote-Rigging and Ticket Scandals, Andrew Jennings. Harper Sports, 2006

⁴ Reported at www.playthegame.org. Source DPA. 10 January 2011

On the one hand, FIFA is due to discuss at its Executive Committee meeting later this month whether it will release excerpts of the ISL dossier, which another Swiss Judge ordered be disclosed in the public interest a few years ago. And on the other hand, Blatter has been spending FIFA money suppressing its publication through the Swiss courts. My educated guess is FIFA will not release those documents voluntarily and will continue to fight it to the bitter end in the Swiss courts.

Coincidentally, the latest round of TV rights was awarded in October to a company called Infront Sports and Media based in Zug, Switzerland. The President and CEO of Infront is a former senior executive of ISL - Philippe Blatter, the nephew of Sepp.

This was just six weeks ago; one week after Blatter had set out a two year plan, on advice from Transparency International, to reform the organisation following the serial corruption allegations that have plagued FIFA since the Executive Committee awarded the 2018/2022 World Cups to Russia and Qatar respectively.

2018/2022

There were three prudential flaws in the bidding process for the 2018/2022 World Cup tournaments which were evident from the outset.

First, only the 22 men on the FIFA Executive Committee voted. (It ought to have been 24, but two were suspended due to impropriety a few weeks prior to the vote). This meant that only 12 votes were required to win, and it's much simpler to influence 12 voters than 105 - the majority required if all member associations had a vote.

But lobbying for votes is not just about individuals.

It was reported a few days after the vote⁵ that French President, Nicolas Sarkozy, had pressured Michel Platini to vote for Qatar because Sarkozy was keen to ensure Qatar Airways increased its Airbus order. Qatar Airways did: in November this year at the Dubai Air Show, they announced the purchase of 88 new Airbus aircraft⁶ and two Boeing aircraft⁷. Qatar's Al-Jazeera has also subsequently purchased the TV rights to the French Ligue 1 and Qatar Sports Investments has purchased glamour club Paris St-Germain.

Likewise, Vladimir Putin visited Cyprus last year and in the same breath in which he mentioned that Russia would offer to share its anti-ballistic missile technology with Cyprus, the local Greek language press reported that he also talked of Russia's 2018 World Cup bid. Journalist Patrick Dewhurst, writing in the *Cyprus Mail*⁸, also noted that Russia had invested €2.7 billion in Cyprus last year, a country with a population of around 1.2 million and GDP in 2010 of \$23.2 billion⁹.

The point here is not the juxtaposition of international political and commercial arrangements – after all, world leaders meet bilaterally and multilaterally regularly and discuss such issues and make such deals – but the fact that it would be much more difficult to tie such deals to a World Cup vote if there were 208 voters.

To be fair, Blatter announced earlier this year that the next World Cup bidding process will be voted upon by the Congress and not just ExCo. However, as the next vote is not scheduled to happen before 2019 for 2026, we can only take his word for that at this stage.

⁵ 'Russia and Qatar not the only ones to rubbing their hands after Zurich'. *The Guardian*. Report by Matt Scott, 8 December 2010

⁶ http://www.qatarairways.com/global/en/press-release.page?pr_id=pressrelease_pressrelease_20111115b

⁷ http://www.qatarairways.com/qa/en/press-release.page?pr_id=pressrelease_pressrelease_20111115

⁸ <http://m.cyprus-mail.com/cyprus/russians-invested-27-billion-cyprus-last-year/20110319>

⁹ World Fact Book. CIA. www.cia.gov

The second flawed aspect of the bidding process was that the guidelines prohibited collusion between bidders – yet an obvious and attractive strategy when two tournaments were being bid for in one process was to find a partner with whom to exchange votes. Qatar and Spain/Portugal were specifically investigated by the Ethics Committee after a complaint and found not to have colluded. But, during the bidding process, it was common knowledge that there were discussions between many pairs of bidders and their consultants about vote swapping behind closed doors on this matter, including Australia.

And finally, the guidelines warned bidders against seeking an “advantage” from ExCo members, but also required bidders to support football development through a bid legacy program.

When there are only 24 voters, it’s fairly obvious who to target. A development program, and the activities or facilities it supports, may be intrinsically worthwhile. However, the point that FIFA appears not to understand is that making such deals in the competitive environment of a bidding process carries an implicit risk in terms of expectations that accompany that deal.

The elephant in the room

Back to the elephant in the room I referred to earlier. Development funding has been the vehicle by which FIFA officials have long bestowed and sought favours of one kind or another. A more familiar term to in Australia is ‘pork barrelling’.

FIFA’s financial statements show¹⁰ that FIFA distributed \$794 million in development funding in the four years from 2007-2010. This isn’t Blatter’s money: it’s FIFA’s but, as the comment from the football association President I referred to earlier shows, it may as well be Blatter’s. As Blatter proudly pointed to in an article earlier this year¹¹ - he started at FIFA as the lone ‘development officer’ working on the allocation of grants to member associations 36 years ago in what could be described as a training program for pork-barrelling.

Fortunately, Professor Marc Pieth has singled this area out for special attention in his initial report to FIFA.¹² Pieth recommends an “overall strategy” for management of the plethora of development funds that have blossomed over the past three decades.

In Australia, it is common for decision-making for Government funding programs established by Parliament to be made by independent parties in a transparent and accountable way with published guidelines, selection criteria, funding parameters, reporting requirements and performance criteria. This is the type of model FIFA should be working on.

Reform. Really?

Since Blatter’s re-election as President for a fourth term in June this year, FIFA has embarked upon a program to introduce greater transparency and reform of governance processes within FIFA.

In June 2011, Blatter announced he was establishing a ‘Council of Wisdom’ to advise him comprising Henry Kissinger, opera singer Placido Domingo and football legend Johann Cruyff. The problem was he announced this without first speaking with Henry, Placido or Johann. Eventually realising that this wasn’t his best idea – even if it was evidence of ‘thinking outside the square’ – Blatter invited Transparency International and Professor Pieth to advise on a similar suite of issues.

¹⁰ FIFA Financial Report 2010, 61st FIFA Congress, Zurich, 31 May/1 June 2011

¹¹ ‘There has been a 57 fold increase in football development under my leadership’. Sepp Blatter, Inside World Football, April 2011

¹² ‘Governing FIFA: Concept paper and report’, page 36. Professor Mark Pieth, University of Basel. 19 September 2011

In October, Blatter reported on progress to date announcing the establishment of four Task Forces to report on possible changes to Statutes, a revision of the Code of Ethics, a compliance program and governance. Pieth will chair the Independent Governance Committee, while Transparency International has now withdrawn its services from FIFA. It will be interesting to see how Blatter's more leisurely timetable of reform by 2013 aligns with Pieth's timeframe of next year. Pieth has an unparalleled international reputation in this field and he is not likely to become FIFA's creature merely for a few pieces of silver as a consultant.

However, many would argue – me included – that FIFA is not capable of reforming itself.

The pervading culture of the organisation is so far removed from being open, transparent, accountable and rigorous that it is impossible to fathom that they are capable of such a Damascene conversion.

Leadership

Accountability in leadership within football meets hardly any known standards – yet it is essential if an organisation is to be accountable and responsive to its stakeholders'.

If Gail Kelly, CEO of one of Australia's biggest banks Westpac, failed to understand, or deal properly, with racism or racist attitudes, would she get away with a follow-up interview that claimed she was misunderstood, followed by another which said it was a media conspiracy?

If the head of the Reserve Bank of Australia (RBA), Glenn Stevens, made comments about what female RBA staff should wear in order to be noticed for a promotion, would he still be in a job?

If Marius Kloppers, CEO of BHP Billiton, had four of his senior executive team suspended, banned or departed because of corruption allegations, a further five possibly under further investigation, and was a figure of ridicule and loathing of BHP Billiton customers, would he still be in a job?

And, closer to home and thinking of the FFA, if Andrew Demetriou had been CEO of the AFL (Australian Rules football) for five years and had presided over a bid for an international competition which spent \$46 million of taxpayers' money and resulted in one vote; a national competition in which expansion had spectacularly failed and in which the clubs were losing between \$20-25 million a year; an 8% decline in participation rates of boys aged 5-14 years playing the sport; six CFOs in five years; a 6% decrease in revenue and a 12% increase in costs; and a report from the Federal Government that showed the sport was in a state of financial calamity with its long term sustainability entirely dependent on the national team and the next TV deal, would he still have a job?

I suspect the answer would be no, no, no and no.

But Blatter sets the example to football administrators around the world – and he has no intention of leaving. He told a BBC journalist a few weeks ago¹³ that: "To leave the organisation – this would be totally unfair, and is not compatible with my fighting spirit, my character, my energy and my personal commitment to football."

Blatter has been at the top of FIFA – either as CEO or President – for 31 years. Let's recap his *annus horribilis*.

¹³ 'Sepp Blatter says sorry for racism comments.' Report by Owen Gibson & David Smith, Johannesburg. The Guardian, 18 November 2011

- In November last year, two ExCo members were suspended because they were caught on tape by the *Sunday Times* offering to sell their votes for the World Cup.
- In May, Mohamed Bin Hammam was banned for life.
- Jack Warner resigned before the case against him could be considered.
- Five more members of the current ExCo are under possible investigation, either by the FIFA Ethics Committee, their national government or the FBI.
- Another one is tipped to be the subject of a report by the IOC Ethics Committee later this month.
- Two others, not counted already, were named in the BBC 'Panorama' investigation and by a Swiss Judge.
- Blatter's predecessor for the previous 24 years, the Honorary President of FIFA, has been forced to resign from the IOC.

And Blatter asks us to trust him when it comes to cleaning up FIFA.

FIFA has grown to become an international commercial behemoth in Blatter's time and he has built the World Cup into arguably the most prestigious sporting event on the planet. But it has been at the expense of the reputation of world football and without regard for the forgotten stakeholders of the game - players and fans.

Led by British MP, Damian Collins¹⁴, the coalition of players, fans, media and politicians under the banner of ChangeFIFA believes that reform of governance arrangements to achieve democracy, transparency and accountability is the number one issue in world football.

While we are encouraged by the reports from Transparency International and Professor Pieth, most of us have been around football too long, and have seen and heard this all before, to have any genuine confidence - not only in FIFA's willingness to change but their capacity for change.

As Damian Collins told ABC TV's *Four Corners* program in September:¹⁵ "FIFA lacks the leadership or determination to sort this out."

Conclusion

What we seek is not complex: we want an international governing body that has the same level of transparency and accountability that we expect of our governments, major institutions and organisations. We want an organisation that is responsible to the many millions of people who play the game, the billions who are fans and one that meets standards befitting of its \$1.3 billion turnover.

We believe that the only way in which real reform will be achieved is for good governments around the world to follow Damian Collins' lead. FIFA deserves condemnation as it has brought football into disrepute – not on-the-field, but off it.

FIFA needs a clean slate. Governments, with the support of the corporate sponsors, should demand an interim time-limited administration, led by an eminent person with a broad mandate to develop a new Constitution, governance arrangements and policies and to conduct new elections. In this regard, it has been encouraging to see the small group of MPs from around the world who have supported Damian Collins, as well as the comments made by Emirates Airlines in recent months.

¹⁴ <http://www.damiancollins.com/2011/06/fifa-reform-agenda/>

¹⁵ *Four Corners*. ABC TV. <http://www.abc.net.au/4corners/stories/2011/09/08/3313323.htm> Australian Broadcasting Corporation Reporter Quentin McDermott, 12 September 2011

Once FIFA is reformed, it should work with member associations around the world to ensure they are operating at similar minimum standards of corporate governance – in other words, operating at the highest common denominator of its 208 member associations, not the lowest.

Australia's experience in the battle for 2018/2022 World Cup bid is a salutary one. I am dismayed at the way in which football officials and many commentators in this country have been quick to point the finger at Russia and particularly Qatar without examining our mistakes and, importantly, without looking at the broader, systemic issues at play in FIFA. We should not consign this to a shrug of the shoulders and an attitude of 'That's football. What more do you expect?'

Yet I, and others in Australia and elsewhere, have been condemned, ridiculed, branded as "irrelevant" or "disgruntled" and gossiped about for raising these and related issues in the public domain.

Players and fans have a right and responsibility to shape the local as well as international football environment. We have the right and responsibility to champion reform - rather than passively accepting FIFA's flawed governance. And we have the right and responsibility to be part of the main game.
