# “Beer Money” or “Nest Egg?” - Revamping Cycling’s Prize System

Prize money has long been a significant driver of competitive choices and strategic behavior in pro cycling. Event organizers have traditionally set aside significant dollars to award the top performers and teams in their events – both to attract stronger fields to the events, as well as to make the racing more competitive. Prize money has also been a powerful motivator for individual racers – in some events amounting to a major payoff for a few top finishers. But the prize money system is also a highly bureaucratic and inequitable process, and above all, it doesn’t work to incentivize aggressive racing. Instead, this money needs to be redirected in a way that will benefit riders long-term, to shore up an underfunded pension system that has yet to meet the needs of retiring riders.

**How It Works Today:** In 2015, prize monies amounting to about $15 million were paid out across the world of professional racing. Roughly half of that was awarded in WorldTour events, mostly races in Europe. The Tour de France alone paid out almost $2.5 million to top finishers. Opportunities to grab prize money have often been a particular motivator to lower-ranked racers, who might not have the salary levels of top riders, but who — on any given day — might be able to steal away to a big win. And prize winnings have often been a way of building team solidarity — with top racers sharing their winnings with fellow riders and staff, demonstrating the critical team nature of the sport.

In addition, for the last couple of decades, almost 10 percent of all this prize money is skimmed off the top, to support both the important anti-doping efforts of the UCI (2%) and to provide financial backing (7%) for the pro riders’ union, the CPA. In the latter case, these funds cover the lion’s share of the CPA’s operating costs, and are the sole source of funding for the CPA-managed riders’ retirement or “solidarity” fund.

**What’s Wrong With the System?** The prize money system is more administratively complicated and bureaucratic than the casual observer might assume. Determining how to calculate, collect and then dole out all that theoretical prize money — and who should be in charge of the process — has resulted in a highly variable and confusing system. At the moment, each major country has its own collection and distribution process or agency — sometimes the national federation and sometimes-designated public or private third parties.

After the aforementioned 9% is removed, each of those distributing entities or federations then takes their own cut, in return for providing the service. Taxes to be paid on the winnings are typically withheld as well, with some recipients being subject to excessive or double taxation, in both their own home country as well as the one where the event was held. By the time the money reaches the rider, taxes, fees and commissions have sometimes reduced the theoretical prize amount by as much as 40% or even 50%. And the administrative complications of collecting and then processing the funds, in addition to some organizers’ reticence to pay in a timely manner, often means that the riders themselves don’t actually receive the prize money until months and months after the event. These bureaucratic inefficiencies or time delays make the intended incentives and personal rewards of the prize money system much weaker than what is intended.

And there are also broader policy or strategic shortcomings of the current system. In a perfect world, the CPA should be funded by the riders, and solely focused on the needs and desires of the riders; yet it is dependent for its very existence on the financial support of the event organizers (as well as the UCI) — a clear conflict of interest. When push comes to shove, who will it support — the organizers or the riders? And, as we have pointed out elsewhere, there are separate but serious concerns about the CPA’s simple administrative and financial ability to efficiently manage the riders’ solidarity fund. There are abundant unanswered questions about the management and investment of those funds, if they are sufficient to cover existing obligations, and whether the entity can efficiently and equitably distribute the funds to retiring riders.

**How Can the System Be Improved?** The Professional Cycling Council (PCC) of the UCI has looked at this issue in the past, and there have been many suggestions for improving and centralizing the system. Possible directions have included a more central role for the CPA, schemes under which the teams would manage the system, and centralizing the process under some other external third party.

But there is another and perhaps more productive way to look at this system and the problems or inefficiencies it has caused in the past. We believe there is an opportunity to change the entire process, to create a more positive incentive for riders and to drive more sustainable behavior in pro cycling. However, with respect to the remaining 96% of prize money, a different approach would be put in place, a new and more long-term focused system that would create a stronger incentive for competitive and clean racing for all riders.
Instead of doling out prize money for results, those funds should go into a pension fund for retiring riders. Briefly, the new system would work as follows:

1) An independent third party, representing the interests of the riders, would be defined and appointed, by a separate UCI committee comprised of management and athletes. This independent entity, which we will call the riders' Financial Management Company (FMC) for now, would be a small and independent agency responsible for:
a. Collecting all prize monies from all race organizers. (We assume that 2% of the prize monies will still go to the UCI's anti-doping effort, and 2% — rather than 7% — will still go to support the operating costs of the CPA)
b. Managing those monies in an investment fund, which we will refer to as the Riders' Pension Fund (RPF)
c. Maintaining an active rider activity database, and
d. Equitably distributing to the funds to qualified retiring riders.

2) Stronger UCI enforcement of current regulations would also occur, ensuring that all organizers paid the full amount of their UCI-required prize monies to the FMC on a very timely basis.

3) As opposed to the current model, these funds would then be paid out on a calculated proportional basis — in either a lump sum or in a series of payments, at the rider's sole option — to the individual rider at the time of his retirement from the sport.

4) Upon coming to the end of their (successful and non-sanctioned) career, each rider would receive his calculated cumulative retirement payout, and only then would he pay taxes on this amount in his home country.

At first glance, this may sound similar to the way in which the CPA's Solidarity Fund is at least supposed to work today. However, there are two key differences. First, this fund will be far more substantial than the current solidarity fund – representing the cumulative value of 96% of the total race prize monies, rather than just 5%. And most critically, these funds would be dispersed proportionately to only qualified retiring riders who had never been sanctioned or banned for cheating or doping violations during their careers.

The short-term concept of individual race prize money would no longer be relevant. Instead, there would be the promise of a potentially much more substantial "prize" for clean riders at the end of their active racing career. Rather than focusing on the riders' attention on short-term rewards for winning an individual race – and all of the perverse incentives that have historically come into play there – this would instead shift the focus to a longer-term and larger "prize" for successfully and cleanly competing over a lifetime career. This would constitute more of a cumulative "nest egg" with which to start the rest of their lives, rather than the occasional “beer money” for themselves and their teammates to spend the night after the race.

In the current system, the riders who earn the largest salaries are ordinarily the ones who take the richest prize purses — riders like Chris Froome or Peter Sagan. Is prize money actually an incentive to perform for them? And given the inefficiencies and delays mentioned above, it is not clear that the typically smaller prize rewards are that powerful an incentive for mid-tier racers either; the glory, media attention and career impacts of winning big races may well be a more powerful motivator.

The philosophical and behavioral premise of the system would hence be quite different, although the management and disbursement of the funds would be similar. A few examples can illustrate how this type of system might work. Taking into mind the fact that different athletes participate in different races at different levels for differing numbers of years, a centralized database would be assembled to keep track of all WorldTour (and perhaps later to include Pro Continental) racers who participate in WorldTour races. In short, individual payout retirement benefits would be based upon total number of days raced over a career in WT events. The table below shows a simple example for the typical WT racer, and how his benefits would stack up at the end of his career.

| Retirement Benefit for "Average" Rider (based on 2018 estimates) | | |
|---|---|---|
| A | B | C |
| **Item** | **Amount** | **Notes** |
| Total Prize Money | $ 8,000,000 | Assumed prize money for all WT races |
| Total Race Days | 180 | Total WT race days in 2018 |
| Total $ Available Per Race Day | $ 44,444.44 | Total Prize Money / Total Race Days |
| Starters Per Event | 168 | Average, based on race type |
| Daily $ Amount Per Racing Rider | $ 264.55 | Daily Prize Money / Race Starters |
| Riders Per Team | 25 | Estimated average |
| Teams | 18 | 2018 WT teams |
| Total # of Riders | 450 | Riders per team X number of teams |
| Total Rider Race Days | 30,240 | Total number of rider race days |
| Average Race Days/Rider | 67 | Total rider race days / total # of riders |
| Yearly $ Amount/Rider | $ 17,778 | Average race days per rider X daily amt. |
| Prize Money Growth Rate | 2.5% | Annual growth in prize money pool* |
| | | |
| End of 4 Yr. Career - Payment** | **$73,822** | |
| End of 8 Yr. Career - Payment** | **$155,309** | |
| End of 12 Yr. Career - Payment** | **$245,254** | |
| | | |
| * = conservative estimate of the combination of increasing prize money amounts and investment fund growth | | |
| ** = individual rider pay-out at end of career, on a pre-tax basis | | |

This chart simply shows the expected end-of-career payout for a thoroughly average rider who participated in exactly 68 days of racing per year for a four, eight or twelve-year career. Obviously, there would be deviations for every single rider in terms of days ridden each year, length of career, and so on – but the database system would be set up to manage those deviations, and coming back to a calculated payment per day of racing. There would also be a specific set of rules developed in conjunction with this new system to specify and clearly define the parameters of a “clean” riding career, and how riders with certain minor violations might still qualify for the end-of-career payout, and so on. With a single and independent entity in charge of calculating, collecting, managing and then disbursing these funds, such a database would not be difficult to build or maintain.

No system is perfect, and there are several potential drawbacks, which would have to be addressed. First would be the transparency and accountability of the agency handling the funds; this transparency and accountability would simply be written into the charter of the managing entity. Second would be the impact on support staff, who often get a cut of prize winnings today; teams would have to find some other way to replace or make up the potentially different financial impact on team staff. Another potential problem is that individual race organizers might cut back on their individual event contributions. However, minimum amounts are specified and required by the UCI, and those minimums could be changed, and enforced, with UCI management committee approval. And obviously, some riders may prefer to compete more aggressively today for smaller short-term rewards, whereas others may prefer the comfort and security of knowing that if they race successfully and clean over the years, there will be a more substantive pension awaiting them upon retirement.

Assuming alternative solutions could be found for these specific shortcomings, we believe that this model could simultaneously help to create a more stable financial future for retiring bike racers as well as provide a strong incentive for all riders to race clean. Ideally, and to be truly successful, a new rider rewards system such as what we have proposed here needs to be conceived and implemented with input from and in conjunction with the development of a more equitable and financially sustainable riders' association. The devil is always in the details in setting up new systems, and there would obviously be many details here to be debated and resolved; however, we believe the general concept is worth serious consideration. Most significantly, this type of model could achieve the important objectives of a focus on clean racing and a more financially sustainable future at virtually no increase in costs over what the sport is experiencing today.

*Marco Pinotti and Steve Maxwell, The Outer Line, May 23, 2018*

*During his professional career from 1999 through 2013, the Italian Marco Pinotti was one of the most respected racers in the pro peloton. He won the Italian national time trial championships a record six times, as well as numerous stages in the Giro d'Italia, and he wore the race's pink jersey on two different occasions. He finished his career in 2013 with Team BMC, where he still remains as a sports trainer, and where he guided the team to victory in the 2015 World Time Trial championships in Richmond, Virginia. He is the author of "The Cycling Professor."*