Inside Velon’s current fight with the UCI

Almost every discussion about the future of pro cycling comes down to creating a new business model for the sport. Study after study has suggested that cycling’s fundamental challenges are anchored to its reliance on sponsorship, and its related inability to transform the racing calendar into a more exciting, fan-accessible and season-long narrative.

Velon, the U.K.-based joint venture of eleven current WorldTour teams, was created to innovate and implement changes to the business model, to introduce new racing formats, and to collaborate with key stakeholders in the sport to spark new ideas and paths to fan engagement.

Velon’s growing impact on the sport over the past few years has disrupted and adjusted the traditional business models on two fronts. First, it introduced the Hammer Series, an updated team vs. team format that is raced over three days, and which includes climbing, sprinting and chasing events. Second, Velon has driven innovation in digital content delivery – including real-time biometrics, in-peloton live streaming, and “dashboards” which complement on-air commentary.

Velon then licenses this on behalf of its constituent team partners to race organizers and broadcasters. This content is unique and has been ahead of the curve in terms of what most race organizers and the UCI have previously been able to deliver – and it has started to change the way in which fans consume the sport.

The original concept behind Velon, according to Executive Director Graham Bartlett, was to create a coordinated organization for the teams, where they could speak collectively with one louder voice – which would allow them to coordinate and partner more effectively with race organizers.

The basic concept had been discussed for years, but Velon formalized those interests – by aggregating the content assets and licensing rights in a collective and cooperative business venture.

“Now, race organizers can deal with just one entity instead of multiple parties,” Bartlett recently told The Outer Line, “and hopefully that allows us to partner more effectively and move the sport forward.”

And Velon’s business reach is more significant than may initially meet the eye. Although it is technically owned by the eleven WorldTour teams, Velon also works closely with four of the other WorldTour teams and many of the ProContinental Teams.

For some of the other WorldTour and smaller teams, becoming a shareholder of Velon was not a specific objective, for various reasons, but “this may change over time,” Bartlett said, “and even though they’re not formal shareholders, they are still eager to coordinate with us on various initiatives.”

Velon has plans and initiatives underway to address many of the other perceived challenges and opportunities in pro cycling.

“The conversion from historic models of broadcasting to new digital approaches requires new formats for mobile audiences with shorter attention spans, and new content that sponsors will get behind and continue to buy into,” Bartlett said. “In this, cycling is no different from other sports.”

Velon is also actively addressing the widely-anticipated opportunities within women’s cycling, and looking at ways to increase visibility and sponsor interest in that part of the sport. Throughout its six-year life, Velon has strived to work together with the major race organizers, the AIGCP (the teams’ association) and the CPA (riders’ organization).

“Velon has also strived to create a positive relationship with the UCI at all levels of the organization, and we’ve had good interaction in the past on many of these subjects,” Bartlett said.

However, on October 1, Velon upped its game considerably, by **filing a formal** antitrust complaint against the UCI. The grievance was filed with the European Commission – the executive arm of the European Union that proposes EU legislation, manages and implements EU policies and finances, and negotiates agreements between the EU and other countries. And critically for Velon in this matter, the EU Commission enforces European law through its Court of Justice.

At the heart of this grievance is the economic freedom of the sport’s business stakeholders to pursue and capitalize on new opportunities. Velon’s Hammer Series encapsulates much of the conflict, in terms of why Velon and the UCI have hit a legal impasse. The “Hammer” has been the first new road racing format to come into any level of the sport in decades; certainly not since the National Cycling League raced in the US in the mid-1990s has there been a totally new team vs. team event circuit in cycling.

The UCI, however, has recently and unilaterally declared that it owns the concept of a cycling “series,” saying that it will introduce three of them in the coming reform packages: the WorldTour Series, the ProSeries, at a level below for ProContinental and Continental teams, and the new Classics Series.

Put simply, the UCI has stipulated that other race organizers can’t use the term “series” – or, if they do, those races won’t be blessed with a UCI registration. Although this may at first appear to be a petty spat over the usage of certain words, the underlying problems go much deeper.

In its proposed new reforms, the UCI has also mandated certain technical requirements which would limit how Velon or other parties collect and transmit cycling’s unique digital content. Through Velon, the teams had agreed to negotiate the digital tracking requirements with the race organizers – but only on the condition that certain digital content and assets would be shared back with the teams.

When the UCI announced a unilateral set of regulations that tried to keep these rights to themselves and the organizers, the teams objected. In addition, it was announced during the recent World Championships in Yorkshire that the AIGCP would no longer support the manner in which the UCI was implementing the 2020 Reforms.

These factors tipped the scales towards legal action. But according to Bartlett, the tipping point had actually been some twelve months in the making.

“We believe that the UCI has been directly using its political and regulatory power to frustrate Velon’s business innovations and alternatives,” he said. “The Hammer ‘Series’ declaration is just one obvious example. A series makes the racing interesting, by providing it with a narrative. Sporting fans want to have that narrative story of a complete end-to-end season with a championship. Let’s face it – that is exactly what fans just told the UCI in their own recent survey.”

Velon could obviously be dealt a serious blow if the UCI refuses to register the Hammer Series and circumvents Velon’s content delivery and tracking technologies. Indirectly, all of the teams and race organizers would also then face the prospect of having other restrictions on how their broadcast content could be gathered and presented to cycling’s audience. According to Bartlett, “These limitations ultimately work against the economic interests of the sport – from the riders’ opportunities, to team and race organizer revenue streams, and overall fan engagement.”

“The teams need to come together more strongly with the riders, and the teams also need to strengthen their relationships with the race organizing companies,” Bartlett said. “Teams and races are simultaneously pursuing the same sources of money. Everybody needs to work together, not in their own silos. The sport has never effectively and collectively bundled its rights – whether that be in a U.S. franchise model or in a more familiar Euro League model. It has to be one entity, one deal – leveraging the power of the rights."

And notably, Bartlett does not go as far as many observers do, questioning whether there is any need at all for the UCI. He believes that the UCI does fulfill a vital role in the sport as its regulating agency.

"Yes, you do need the UCI as a governing body to monitor and enforce the rules of the sport," he said. "But the UCI should not organize races or participate in the business side of the sport."

Legally speaking, there are cases in the European Commission's history which tend to favor Velon's position. Critically, the most recent precedent should worry the UCI. In late 2017, the Commission ruled in favor of two speed skaters who filed a grievance over their right to compete in events that were not sanctioned by the International Skating Union (ISU).

The ISU threatened to ban those athletes and not sanction the organizer's future events if the racing took place as planned. Summarizing the ruling, EU Commissioner Margrethe Vestager stated: "International sports federations play an important role in athletes' careers – they protect their health and safety and the integrity of competitions. However, the severe penalties (the ISU) imposes on skaters also serve to protect its own commercial interests and prevent others from setting up their own events."

There are several strong parallels to Velon's case in this ruling. Much like the UCI, the ISU is the sole body recognized by the International Olympic Committee (IOC) to oversee speed skating (it also controls figure skating). It is also similarly structured with constituent national federations for each participating country. And like the UCI, the ISU organizes major international competitions such as the World championships, and its members profit from those revenues – including the Olympics.

According to the Commission's discoveries in that case, skaters participating in non-sanctioned competitions faced "severe penalties up to a lifetime ban from all major international speed skating events." Similarly, there are repercussions in the UCI regulations for pro riders competing in non-sanctioned races (defined in the UCI's General Organisation of Cycling as a Sport, reg. 1.2.019). "The ISU can impose these penalties at its own discretion," wrote the judges, "even if the independent competitions pose no risk to legitimate sports objectives, such as the protection of the integrity and proper conduct of sport, or the health and safety of athletes."

"By imposing such restrictions," added the Commission, "the ISU eligibility rules restrict competition and enable the ISU to pursue its own commercial interests to the detriment of athletes and organizers of competing events. (Italics added.) In particular, the Commission considers that the ISU eligibility rules restrict the commercial freedom of athletes who are prevented from participating in independent skating events. As a result of the ISU eligibility rules, athletes are not allowed to offer their services to organizers of competing skating events and may be deprived of additional sources of income during their relatively short speed skating careers."

Furthermore, they wrote, "The ISU eligibility rules prevent independent organizers from putting together their own speed skating competitions because they are unable to attract top athletes. This has limited the development of alternative and innovative speed skating competitions, and deprived ice-skating fans from following other events." As a result of these investigative findings, the judges found the ISU in breach of EU Commission anti-competitive laws, critically Article 101 of the Treaty on the Functioning of the European Union (TFEU).

Hence, there is definitive precedent in the European Commission for the type of grievance which Velon has just filed. If one replaces "ISU" with "UCI" throughout the central findings of the speed skating case, the two are remarkably close in scope – and possibly in terms of potential outcome. The Velon case extends the basic argument to include pro cycling's teams – which employ the riders and provide the foundation for their economic well-being and breadth of sporting opportunity.

It remains to be seen whether the Commission will take up the case, a decision which will be made sometime in the next four to six months. And even if it does, it could be two more years before a ruling is made. Nothing is likely to happen overnight, but the case puts the UCI on notice – other stakeholders will not sit idle and allow the UCI to expand its economic involvement at the expense of its true investors. In sum, this is just one more instance of a fundamental problem in cycling, one which has been leveled at the UCI for years: the UCI cannot simultaneously regulate the sport and promote its own desires to be a race organizer or rights holder.

The UCI has not yet formally commented on the case but it did respond to our inquiry with the following statement:

"The Union Cycliste Internationale (UCI) has, to date, not been notified of the complaint referred to in Velon's press statement of 1 October 2019. Upon such notification, the UCI will not fail to take all necessary steps before the competent authorities to dismiss any claim. In line with its mission, the UCI will continue to work with all its stakeholders, and in the best interest of the sport, for the new organization of men's professional road cycling."

Velon, however, confirmed that the UCI was officially informed of the filing of the Complaint on September 21st, direct to the UCI President and the President of the PCC.

Bartlett said that Velon will continue to work within the UCI's regulated ecosystem in the interim and move towards providing fans with a better racing product and viewing experience. And even if the UCI should capitulate to Velon's requests to broaden or relax some of the reforms, Bartlett said that his organization and the teams intend to see their grievance all the way through.

"We need to continue to do more with the race organizers to help them to distribute content, leverage technologies, and reach fans with a better product," he said. "We also need to continue to partner with non-Velon teams to realize common objectives. We're not generating big money yet, but everything we're doing is in the interest of creating a better economic platform for growth, including this legal action."

Velon may be taking a gamble on behalf of the rest of pro cycling with this legal action. In doing so, it may lead the way towards greater clarity about the UCI's responsibility to regulate the sport, and redefine the power that cycling's investor/sponsor stakeholders should have in changing the business landscape.

By Joe Harris and Steve Maxwell, October 9th, 2019.