

Future of rugby union in Australia

Submission to the Senate Community Affairs References Committee

Submitted by:

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I present this submission as a passionate supporter of both rugby and of the recognition of the State of Western Australia as a partner within the Commonwealth of Australia. I am a foundation member of the Western Force and prepared background material for the Western Force during the development of the “Own the Force” initiative. At this time, I was also a member of a small group advising Force CEO Mark Sinderberry on ownership options.

Submission summary

The basis to this submission is that the by closing the Western Force rugby team the ARU have:

- Not acted in the best interests of Australian rugby;
- Used a flawed analysis in their assessment of the need to reduce teams;
- Been dishonest in attributing the reasons for their financial losses and;
- Been disingenuous in their dealing with Western Force supporters, the media and the Australian public.

These will be covered, where appropriate within the specified terms of reference.

Key conclusions are substantiated within the main document and are summarised as follows:

1. There is no evidence that increasing the number of Australian Super Rugby teams from 3 to 4 and then to 5 has been the cause of Australia's recent poor performance in Super Rugby. There is evidence that this decline is associated with the ARU decision to allow and even encourage Australian rugby players to join foreign teams.

Continued loss of players to Europe with mean rugby will follow Australian hockey. Eventually there will be no significant national competition and the national team will be team picked from overseas based players.
2. Financial management is not the reason the Force has been terminated. Western Force sponsorship in 2016 was the highest of all Super Rugby clubs. Financial support for the Force from the ARU has been similar to all clubs other than the Rebels. The Rebels have cost the ARU at least \$15M more than any other Super Rugby team since 2011. The ARU has rejected options to allow the Force license to be repurchased (at a profit) by either the members or supporting business people.
3. A reduction in the number of professional playing positions in Australia combined with a loss of a national footprint means rugby will become a niche sport played by an elite minority located on the east coast of the country. Other sports will fill the vacuum in the 67% of the country with no rugby union identity.
4. The ARU is the custodian of rugby nationally and has a responsibility to provide equitable support to all states They have been dishonest in their dealings with the Force and with the supporters of rugby in Western Australia (and elsewhere). They have demonstrated a level of personal and professional integrity and honesty that is inconsistent with the best interests of rugby in Australia. The composition of the Board is not representative of its constituency.

Over the past 8 – 10 months an antagonistic battle for the future of Australian Rugby Union has been initiated. Unfortunately, within this battle the need for power and control appears to have overtaken the need for rational discussion and foresight.

Addressing the problem

Rugby union will now be played and controlled by a self-interested group based on the eastern coast of Australia. The national footprint has been abandoned. As such support should only be from the states that are represented by this group. I would request the committee recommends that all Federal support for rugby union in Australia be suspended until:

1. **The rules for the composition of the Board are altered to ensure all states and territories are represented;**
2. **The ARU has initiated a national strategy to include a Super Rugby team in Western Australia and to increase exposure to international rugby in all states and territories.**

Term of Reference

- a. *The Australian Rugby Union Board deliberations leading to the decision to reduce Australian teams from five to four in the national competition*

Rugby performance benchmarks

The basis for the decision to reduce the number of Australian teams was explained as partly financial but with a strong argument that depth of Australian rugby was insufficient to support 5 teams. The public presentation to support this argument is best summarized in a graphic on page 24 of the Australian newspaper published on 15/4/17 (Attachment 1). The ARU conclusion from this graphic is that Australia finished in an average position of 5.49 with 3 teams, 8.25 with 4 teams and 9.4 with 5 teams. This analysis is statistically flawed and prepared to support of preconceived decision rather than to foster informed debate. It ignores the fact that when there is an increase in the number of teams it is a mathematical certainty that, if average performance remains the same, average ranking must go down. Simply put, half way with 12 teams is 6.5, half way with 14 teams is 7.5.

The analysis of the graphic is further flawed by the treatment of the groupings (3, 4 or 5 teams). The use of means (averages) is highly misleading. If trends within each grouping are analysed, the following conclusions are apparent:

- Introduction of a 4th team was initially associated with a lower ranking but this ranking tended to improve over the next 5 years and by 2010 was back near the 3 team average (even before adjustment for increased team numbers). This indicates a net benefit for rugby in Australia
- Introduction of a 5th team did not cause a fall in average ranking of Australian Super Rugby teams. Rankings remained stable from 2011 to 2015.
- In 2016, 2017 (and now 2018) there was a catastrophic decline in Australian Super Rugby performance. This was 5 years after the introduction of the 5th Super Rugby team and there is no evidence the 2 are related. What happened after 2015 was that the ARU started to select Wallaby players from Europe and permitted mid and upper level Australian players to spend 1-2 years in Europe before returning to Super Rugby in Australia; here to resume eligibility to play for the Wallabies. Such a scheme is not available in New Zealand and this country, despite its small population continues to produce the best rugby team in the world. The decline in rankings is therefore most likely due to incompetent management of Australian national rugby team eligibility.

Details of the analysis above are provided in Attachment 2

Conclusion: There is no evidence that increasing the number of Australian Super Rugby teams from 3 to 4 and then to 5 has been the cause of Australia's recent poor performance in Super Rugby. There is evidence that this decline is associated with the ARU decision to allow and even encourage Australian rugby players to join foreign teams.

Continued loss of players to Europe with mean rugby will follow Australian hockey. Eventually there will be no significant national competition and the national team will be team picked from overseas based players.

Financial imperatives

As with performance benchmarks the ARU used flawed and unsubstantiated claims to imply the Western Force was the cause of the ARU problems and that the cessation of the Force would solve these problems. There are 3 aspects to this:

- Between 2014 and 2016, the ARU provided \$14.4M, \$14.2M, \$13.7M, \$17.7M and \$11.7M to the Waratahs, Reds, Brumbies, Rebels and Force respectively. A further \$3.7M was spent by the ARU to purchase the Force franchise making total expenditure \$15.4M. A further \$2.6M of special funding was also spent on the Rebels in 2016, making a total of \$20.3M. Nearly \$5M more than spent on the Force. Between 2011 and 2015, the ARU also extended loan facilities to the Rebels of an additional \$13.0M. When the Rebels were taken into private ownership, these loans were forgiven. The Force received no loans during this time. In summary, the ARU spent \$33.3M on the Rebels compared to \$15.4 M on the Force. Spending on the Force was in line with spending on all other Super Rugby clubs.

See: <http://www.greenandgoldrugby.com/who-do-you-think-you-are-kidding-mr-clyne-if-you-think-we-cant-do-sums/>

- The above clearly establishes the source of the financial distress was the Rebels. At this stage, the ARU were still able to argue that, while the Force were not the cause of economic distress, their termination could be the solution. In September 2016, the Force recognising the financial realities that faced the club initiated the “Own the Force” campaign. The proposal was to raise sufficient funds for the members to purchase the license and intellectual property back from the ARU. Commitments were made from approximately 5000 individuals to provide \$7M. The members of the Force had taken responsibility for their team and were willing to pay more for the return of the license than the \$3.7M incurred by the ARU to acquire it. In addition, in 2016, the Force sponsorship was the highest of all Australian Super Rugby clubs.
- The ARU ignored “Own the Force” and were ultimately presented with additional support of \$10 -50M to continue the club by Andrew Forrest. This was also rejected.

Conclusion: Financial management is not the reason the Force has been terminated. Western Force sponsorship in 2016 was the highest of all Super Rugby clubs. Financial support for the Force from the ARU has been similar to all clubs other than the Rebels. The Rebels have cost the ARU at least \$15M more than any other Super Rugby team since 2011. The ARU has rejected options to allow the Force license to be repurchased (at a profit) by either the members or supporting business people.

b. the role of national and state-based bodies in encouraging greater national participation in rugby union;

Rugby custodians

The ARU is the custodian of rugby nationally and has a responsibility to provide equitable support to all states. The current composition of the Board is not consistent with this responsibility. It appears that, since the resignation of Geoffrey Stooke, all 8-remaining members so the Board originate from, or are based in, New South Wales or Queensland.

Conclusion: The Board composition is inappropriate its constituency.

c. the corporate governance arrangements and composition of national and state-based rugby union bodies, including community representation on those bodies;

No comment

d. the impact of the decision to reduce the number of Australian teams on national participation in rugby union;

National and local impact

While there is no doubt there will be some immediate decline in participation, longer term considerations are more important. A decline in community interest in the game will inevitably lead to reduced participation – this will occur over years. I am not involved in grass roots rugby in this state but can give some information and views on likely change:

- This year there were approximately 175 fully professional rugby playing positions in Super Rugby, next year there will be 140. Players will be forced to leave the country or the game; aspiring young players in WA will need to decide if they are interested in pursuing a game where their only prospects will be to represent NSW, Qld, ACT or Vic. Of course there will be some decline in participation, particularly in WA.
- In 2013, I was travelling on a plane from Sydney to Perth and sat next to an individual with knowledge and connections in Australian rugby league at the highest level. He casually advised me that there was an expectation in the NRL that the Force would become insolvent in 2015 and cease to exist. At this time rugby league would push into WA. The forecast was correct, the Force no longer exist. Last year a rugby league test match was played in Perth and shortly after the demise of the Force the NRL announced a double game, four team extravaganza to be played to Perth Arena early next year. It is inevitable that other sports will fill the void created by the loss of international rugby and that this will trickle down to local participation. Approximately 30% of the Force starting 15 were locally grown players last year. This development pathway will be replaced by opportunities in other sports.
- From a personal perspective, all of my extended family have been strong rugby supporters; of our three Foxtel subscriptions, two of us have already cancelled and the other is planning to cancel shortly.

Conclusion: A reduction in the number of professional playing positions in Australia combined with a loss of a national footprint means rugby will become a niche sport played by an elite minority located on the east coast of the country. Other sports will fill the vacuum in the 67% of the country with no rugby union identity.

e. any other related matters.

Personal and corporate integrity

The Force and their supporters have been treated with contempt and disrespect through the process of reorganisation. Promises have been made that have been broken with no explanation or expression of remorse. Here are some examples of duplicity:

- In June 2016, Bill Pulver, CEO of the ARU made the following comments when addressing the new alliance of the Force with the ARU:

“Ultimately the alliance aims to deliver financial sustainability and improved high performance outcomes for the Western Force.”

Pulver said the alliance will be managed effectively in order to maintain the Western Force’s unique identity and connection to the local community.

“The other really important outcome is that the Western Force will continue to be deeply entrenched in the Perth community. They will continue to have a brand which is unique to them.”

See: <https://www.westernforce.com.au/article/australian-rugby-union-and-western-force-seal-alliance-agreement>

- On November 2, 2016, after the initial publicity regarding the “Own the Force” campaign an article in the Australian newspaper was headlined:

Bill Pulver applauds Western Force’s public ownership initiative

The article went on to indicate:

ARU chief executive Bill Pulver has applauded the Western Force’s new public ownership initiative and is open to the idea of other Super Rugby franchises adopting the model.

“I gather there are a couple of initiatives to try and raise funds in the west,” Pulver said. “Extremely early days. Suffice to say whatever initiatives are in play to try to create a more sustainable future for the west I would applaud”

See: <http://www.theaustralian.com.au/sport/rugby-union/bill-pulver-applauds-western-forces-public-ownership-initiative/news-story/3329dfbf7137b146b292d752554f8c1b>

- On February 2013, on his first visit to Perth after his appointment.

“No chance in the world that there will not be a Western Force.

“We are 150 per cent committed to the franchises that we have. The future development of rugby, unquestionably in my mind, will involve the Perth team.

“The five franchises are non-negotiable. I don’t think I can make that any clearer. It is crystal clear in my mind there will always be five franchises.”

- On March 2016, after talks with RugbyWA and the State Government.

“I would be very confident in telling you that the Western Force are going to be a successful part of the Perth sporting scene for a long, long time.

“I still am very much a supporter of a national footprint for Super Rugby and you do not want to do anything that’s going to have any negative on the local community engagement.”

- On November 2016, on the Own The Force scheme to buy back their license from the ARU and become financially independent.

“If our Super Rugby clubs were put in a fundamentally stronger position financially, that would influence the decision. The dialogue that’s going on out west is incredibly relevant.”

See: <https://thewest.com.au/sport/rugby-union/bill-pulvers-western-force-assurances-turn-into-empty-promises-ng-b88552186z>

Conclusion: The ARU have been dishonest in their dealings with the Force and with the supporters of rugby in Western Australia (and elsewhere). They have demonstrated a level of personal integrity and honesty that is inconsistent with the best interests of rugby in Australia.

Attachment 1
Article in The Australian 15/4/17

Clyne packs down to save rugby from AFL

Continued from Page 21

everybody else what are the credentials of those people on the board of Australian rugby, including yourself, to be determining the future and direction of Super Rugby?" (the broadcaster declared).

"Who increased it from 15 to 18 (teams)? You've made a wrong decision. Why don't you all resign?"

"Your product is flawed, that's why you can't pay your way. Since 2007, this crowd has spent \$277 million. What have we got to show for it?"

Never mind that Clyne only joined the ARU board in October 2011, or that he became chairman as recently as January last year.

He explained patiently to Jones that there was no option for the ARU to reduce the number of its franchises when SANZAAR, the home of rugby in the southern hemisphere, expanded the number of Super Rugby teams from 15 to 18 in 2006.

The point was laid on Jones. Like many traditionalists, he was arguing from the heart, not the head, and the heart is hurting. The truth is that rugby faces a hostile environment on many fronts.

New Zealand, for example, is much smaller but the entire country is obsessed with rugby, so much so that it's seeped into the national psyche.

In England, there's a similar obsession with soccer, but the country's population of 55 million means rugby can share some of the limelight.

Here in Australia, there is cut-throat competition, probably without comparison anywhere in the world, between four winter codes — rugby union, rugby league, soccer and AFL — that cater for a population of only 23 million.

Rugby's position is far from secure and, Jones now understands, some of that is because it's a code for traditionalists and purists at the elite level.

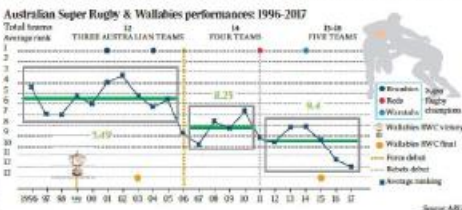
Clyne loves his rugby, spending a lot of his weekends attending matches at all levels. When he's not doing that, he doesn't mind watching the odd game on TV.

A week ago, he went to the Brumbies versus Reds game in Canberra, which was locked at 10-10 at half-time before the Brumbies turned on a display for the ages in the second half.

"The play was really exciting, from a pushover try, which showcased the physical power of rugby, to some superb, sweeping backline moves," he rhapsodises.



Clockwise from main, the Brumbies and Reds clash; Cameron Clyne and Bill Pulver; Sydney schools Shore and Riverview stage a historic inaugural Australian rules football match



"I had a live focus group with me — my 15-year-old son, Harry, who plays the game too."

"When we get the game right, there's absolutely no time for any distractions. Harry wasn't at all interested in looking at his phone."

Rugby's critics, on the other hand, say the game is so holed-bound in tradition and highly technical interpretations of an

antiquated rule book that it tests the patience of all but the most dedicated supporter.

Clyne concedes some ground on this, saying the rules are part of the code's charm but also represent its Achilles heel.

"A game played well is a beautiful thing to watch but a game not played well doesn't engage fans," he says.

"We're constantly looking at

variations to the rules, but some of those rules are really important because they differentiate us from other games, like league."

"It's the loudest, the contest at the scrum, the tackle in a ruck or a maul. But these are very hard things to referee."

Like all sporting codes, rugby must adjust to the fact that it's now seen as entertainment and has to match up against an array of alternatives.

The product, according to Clyne, must be exciting to watch, the venues and facilities must be of a high quality, and the digital experience must be first rate, with extra content options.

Just like cricket's bells-and-whistles game Twenty20, rugby has its faster and shorter "sevens" variation, which is enjoying explosive growth, as is the women's game.

It might be sacrilege to the purists, but it's all part of the code's future if it is to survive.

Clyne is adamant that a shift to four Super Rugby franchises in Australia — instead of the existing five — is just as much part of a sustainable, long-term future.

From 2013-17, the ARU spent an extra, unbudgeted \$38m to support the five teams, despite the chairman saying it would have been apparent almost immediately when the Rebels joined in 2011 that the competition was unsustainable.

This week, the ARU reported a \$37m surplus for 2016 — a turnaround from the previous year's

\$9.5m loss. The code's finances are shaky.

Discussion about Super Rugby dominates every ARU board meeting, and it's draining desperately needed development funds required at all levels of the game, from the Wallabies right down to grassroots.

The ARU has learned there is a high correlation between the code's revenue and the performance of its top teams, with greater participation the key to the long-term fix.

At least \$5m will be freed up to better nurture the ailing code if one Super Rugby team is cut from the roster and its losses contained.

Pulver expresses hope that the four remaining clubs will break even, at least collectively.

More hands will then be liberated because the remaining teams — on occasions — have also had to call on the ARU for support.

Clyne is not at all discouraged by the AFL's belt-tightening of money.

"We have to identify what's unique about rugby," he says.

"It's obviously a different game but you can also play it all over the world at the highest level, including some of the world's iconic grounds like Twickenham (London), Lansdowne Road (Dublin) and the Stade de France (Paris)."

It's all true, but Jones on Wednesday rattled off a list of abject failures — no Bledisloe Cup since 2003, no victory over the British and Irish Lions since 2003, no World Cup since 2003, no under-20 World Championship since 2003, and 12-0 against the mighty All Blacks.

Clyne has his own set of data, starting with third position (but building) behind New Zealand and England in the men's game, a gold medal at Rio de Janeiro for the women's team, and third place for the men's team in the Hong Kong Sevens.

"Last year, junior registrations grew for the first time in 15 years, up 35 per cent," he says.

"One bar of the game (Super Rugby) is having financial issues but we've got a plan to deal with it."

Attachment 2

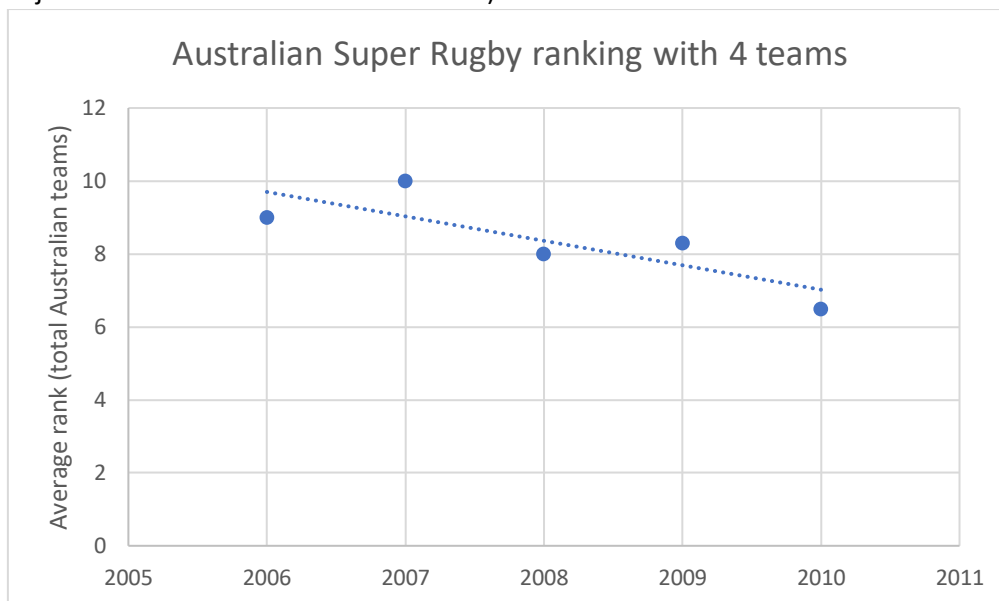
Reanalysis of data from article in The Australian on 15/4/17 - "Clyne packs down to save rugby from AFL"

This contains some misinformation and the statistical analysis is not sound. Some comments as follows:

1. Interpretation of the graph that is presented in the article is statistically flawed. When you increase the number of teams then it is a mathematical fact that, if average performance remains the same, average ranking must go down. To put it simply, if you are half way in the ranking, you finish ranked 6.5 with 12 teams and at 7.5 with 14 teams. If you adjust for the number of teams in the figure presented, then the average ranking drops from 5.49 for 3 teams (as shown) down to approximately 7.0 (not the 8.25 shown) for 4 teams.

Conclusion – there was a drop in Australian team performances when a 4th team was introduced but it was only half the ~3 units claimed in the graph.

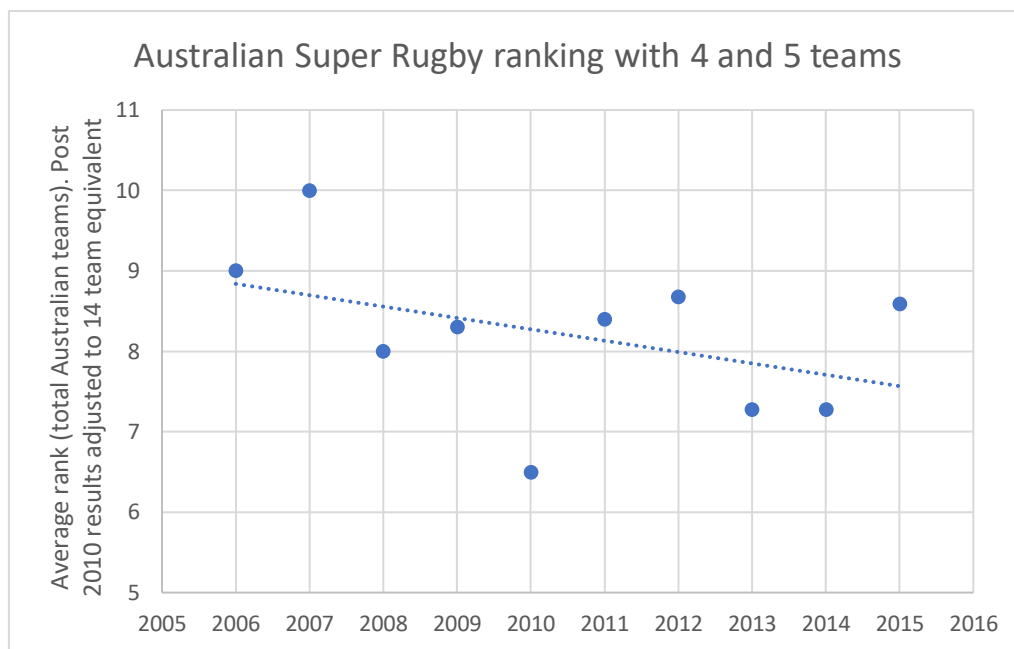
2. Data after the introduction of 4 and then 5 teams has been carefully allocated into compartments by the ARU to support their case. A better way is to look at the trend in performance with the increase in teams. The graph below shows the change in ranking during the 4 team period. As you can see the Australian team average ranking tended to improve during this period and by 2010 was back near the 3 team average (even before adjustment for increased team numbers)



Conclusion – introduction of a 4th team was initially associated with a lower ranking but this ranking tended to improve over the next 5 years

3. This graph can be extended to include performance after the introduction of a 5th team. The trend is still down (ranking improved) but there is plenty of variation. The conclusion however, is opposite to ARU because it shows the change from 4 to 5 teams was not the cause of reduced average ranking. 2016 and 2017 have been left out of the analysis. These are the problem years but are 5 years after the introduction of the 5th team and are a problem independent of team numbers. The 2016 and 2017 problems are much more likely

due to the introduction of the Giteau Law and the opportunity for many of our best players to spend 2-3 years in Europe or Japan before returning for the next World Cup.



Conclusion – The introduction of a 5th team did not cause a fall in average ranking of Australian Super Rugby teams. Rankings remained stable or even improved for 5 years