

3 April 2020

Senator the Hon. Richard Colbeck
Minister for Youth and Sport

SUBMISSION OF COALITION OF MAJOR PROFESSIONAL AND PARTICIPATION SPORTS (COMPPS)

CORONAVIRUS CRISIS - GOVERNMENT RELIEF PACKAGE FOR SPORT

Introduction

This submission represents the united position of the seven members of the Coalition of Major Professional and Participation Sports (COMPPS) - the AFL, Cricket Australia, FFA, Netball Australia, the NRL, Rugby Australia and Tennis Australia. We represent the interests of more than 16,000 sporting clubs, 112 professional sport teams, many senior and junior national representative teams, three Olympic and Paralympic sports and more than nine million participants who partake or engage in our sports one way or another every day of the year.

When participation numbers are combined with the millions of Australians who watch and support our seven sports in their professional mode, the reach across the lives of Australians on a daily basis is significant.

Sport, like nothing else, is the essence of Australia's identity and social fabric:

- Australians actively participate in community sport themselves and support our national teams and professional sport - involved and engaged at every level.
- Whether playing, training, competing or barracking, it is part of life every day, all year round, across the country, providing Australians with a sense of connection and belonging.
- Fans watch it in pubs and clubs, celebrating wins at restaurants and travelling across Australia to attend games. Sport works hand in hand with the hospitality and tourism industry.
- Through social and cultural connections, Sport unites Australia and is a vehicle for people of all backgrounds to come together with a shared interest and purpose.

Within the context of Covid-19, the role of Sport has shifted. Sport now represents something to hope for, a return to normal life. But Sport will be different, potentially very different at a professional level and different throughout the whole ecosystem of Sport.

In order to flatten the curve of the Covid-19 virus, Australians are undertaking an extended period of social isolation where they have had to withdraw from all community activity, all forms of team sport activity and from the social engagement that sport provides.



This is vital and COMPPS recognises that the number one priority at the moment is the health and welfare of the Australian community. As sports we support the Australian Government and the National Cabinet in doing everything we can to play our role in flattening the curve.

As we come out of this crisis, sport will play a vital role in re-engaging the Australian community, re-connecting it with key social structures and local cultural environments and driving a positive sense of normality.

The attached Annexure outlines the many jobs the sports support at all levels. It is important that we keep operating because the damage of losing or scaling back an entire sector would have a massive impact on our country, our economy and our communities. There are so many people who depend on sport at all levels, from elite to community, for their livelihoods and there are so many communities who depend on sporting clubs for their social capital.

As well as the impact of each sporting club, each sport runs many community and development programs encouraging active participation, particularly among families, young people and the elderly.

In order to ensure a healthy community and to reduce the impact on our health system, it is vital to have people of all ages exercise. Given the months of social isolation where people will be largely restricted to their homes and unable to actively participate in organised sport, it is going to be even more important. It is not just the physical health issues, but the mental health issues which emerge after an extended period of social isolation. Sports will play a large role in encouraging people to get active to help ensure that the health bill post COVID-19 is sustainable. Sport will be critical in getting the country moving – literally – and in keeping the country mentally and emotionally healthy given the mental health benefits of exercise and social connectedness.

Similarly sporting clubs and sporting competitions, at all levels, provide connection and belonging for people of all age groups, all religious and racial backgrounds and these programs have been important in driving a more socially inclusive country. After a lengthy period of social isolation and social distancing, people are going to need to connect and belong and allow the cultural and community aspect of Australia to return to normal. As a nation, we can't afford for all the advancements achieved over the past decades to be eroded. Sport is an ideal vehicle for ensuring we rebuild those connections.

Sporting clubs at the community level, which we run through our state bodies, are going to be vital in bringing people together and rebuilding communities across the country post social isolation. Sporting clubs are the lynchpins and the major sports, at both elite and community level, provide an opportunity for people to come together and celebrate and unite for a common purpose.

We are sports with a big footprint in Indigenous communities and multicultural communities and we are going to be vital in getting those communities connected and active. We know sport is a vehicle that allows Government to communicate directly with Aboriginal and Torres Strait Islander communities. Our ability to support and drive programs in Aboriginal and Torres Strait Islander and multicultural communities and to assist in returning to pre-Covid-19 participation and engagement levels will help the Australian Government to achieve its goal of a recovery for all Australians.

We have one product - sport. As a result of Covid-19, sport has shut down. For all our sports, whilst the immediate impact might vary between codes based on timing and event schedules, our revenue sources are ultimately tied to sport being played. Our sports, across national, state, club and community level are experiencing or facing a massive fall in our

revenue streams – potentially in some cases for some sports a fall of close to zero. We are not seeking relief from the government to maintain or restore pre-Coronavirus elite athlete wages or head office executive salaries. With no sport on our fields or screens, our businesses are simply cost centres – with effectively no way to generate revenue until games resume. For some of the COMPPS members, this may not happen until 2021.

As significant drivers of jobs, economic activity, tourism and social capital, we do need Government support to be able to continue to contribute to the Australian recovery from this pandemic and we propose three potential measures to bridge the gap between hibernation and returning to a season proper.

We also propose working closely with Government on our return to play plans for each sport to ensure we use our platforms as important outlets for promoting Government health and safety messages.

Sport is not seeking a handout or a stimulus package – we are requesting a partnership with government.

In the coming years, all those involved in Sport will have to adjust to a different model of administration, management and support. This is necessary if sports and clubs are to be sustainable. We recognise that for the Australian community – and for sport – we have to adjust to a new way of doing business.

Impact of Coronavirus crisis – the future viability of Sport

The Coronavirus crisis has exacted a huge toll and will continue to do so for some time, first and foremost, for those Australians who have lost their lives or had their health impacted due to COVID-19 and secondly, through the untold damage done to the economic and social fabric of life in Australia.

COMPPS supports the public health measures government at all levels has implemented to slow the spread of the virus. Each member sport has done what has been needed as part of this national effort, with current elite, amateur and community sport seasons and all community and junior participation programs suspended. Sports have or are in the process of renegotiating salaries under Collective Bargaining Agreements with their elite athletes and administration costs and wages have been significantly reduced, in some cases by up to 80%.

We are grateful for the government JobKeeper wage subsidy package. It will allow us to continue to keep staff connected to our organisations and where possible, plan for the future of our codes. For some sports, the wage subsidy will be virtually the only revenue received during hibernation, and with it being allocated to staffing costs, there will be effectively no revenue for other operating costs. The challenge is not managing organisations that have had a 30 or 50 per cent fall in turnover. Depending on the timing of our seasons and duration of the shutdown, our challenge is managing and supporting organisations across our codes that have had or are facing a fall in revenue of unprecedented levels – in the order of 50% to 75% and potentially in some cases close to 100%.

To that end, some of our members suffered limited impact in the month of March due to payments that came from past contracts and previous commercial arrangements. However, revenue for these sports will almost completely evaporate in the coming months which will require major cost cutting measures including significant staff reductions. It is therefore critical that the 30% turnover reduction – the key eligibility criteria for JobKeeper – is measured on forecast revenue over the coming period as this will provide certainty of payroll relief, ultimately allowing sports to keep staff they will otherwise be forced to cut.

The future also presents unique challenges. Unlike other organisations in the entertainment, hospitality and tourism industry, sports do not have the ability to shut their doors, hibernate for a period and then re-open, quickly returning to full operational capacity. The revenue of our sports at all levels is event and season-driven, and when these are missed, revenue won't be forthcoming until players can take the field or courts again (at all levels of the game).

Depending on the timing and duration of the shutdown, some of our sports could be facing the equivalent of three consecutive off-seasons.

When social distancing measures are lifted, this does not mean that our sports can be played the next day. Australia has a very congested sporting and major events calendar. At the community level fields and courts are booked for different sports depending on the season. This is replicated at the professional level, with stadiums having in place agreements with different codes, and broadcasters having programming scheduled based on competitions in different codes being spread across the year. Some sports have the added complexity of a global events calendar, with international tours representing a significant portion of revenue.

Essential Operating Costs

Our member sports operate their own complex financial ecosystems. NSO's own and operate the primary revenue generating assets that generate broadcast, sponsorship and match day revenue. This revenue is distributed via grants through each sports system to run the professional and community arms across the country.

Other than broadcast, this revenue is variable and cyclical with costs largely fixed and amortised across the financial year. Our member sports have in place financial models that range from annual to four year to account for the delicate revenue/cost balance. The unprecedented impact of COVID-19 has placed a significant challenge on these financial models.

Operations, activities and investments planned for 2020 cannot go ahead and our respective member sports operating models will require significant review which each of our member organisations has committed to and is happening now. However, we still have a range of unavoidable costs and commitments that must be met to ensure our businesses remain viable and bounce back to deliver for the millions of Australians who volunteer, participate, watch sport or attend our events to connect and belong

Member sports have provided a list of the essential operating costs to manage the new post-COVID-19 sporting environment that will need to be incurred ahead of seasons or games being played and revenue generated. These costs are further outlined in the Annexure, but include:

- Property Costs and long-term rentals
- community sport departments to be reactivated post social distancing measures
- training and administration centres for professional teams which are also accessed by community clubs and players
- Grants to Member Organisations to maintain community sport activities
- Grants to Member Organisations to maintain elite programs
- Business Infrastructure costs
- Elite program costs – to maintain professional and representative team performance on the national and international stage, including player wellbeing & education; medical support; and high-performance servicing.

In addition, without normal revenue coming into our member sports organisations, they will need to scale up staff to prepare for sporting seasons at all levels. These costs will potentially be incurred after the JobKeeper funding has concluded. These costs are vital for games to be played at the most basic level and do not include elite athlete payments or executive administration wages. They include:

- Community sport department staff to support grassroots sport including coach education, referee education, accreditation of volunteers, school-based participation programs and other social programs.
- Commercial and Digital department staff with a focus on revenue generating activities e.g. sponsorship sales and servicing; major event organisation, marketing and ticketing; merchandise programs; broadcast and content generation.
- Operational staff required to coordinate the logistics associated with putting on an elite competition.
- Integrity Unit staff to ensure compliance with relevant codes of conduct and salary cap compliance.
- Essential head office staff.

Relief Measures for Sport

COMPPS appreciates and shares the Government's stated objective of preserving and supporting businesses that are in hibernation so that they can come through the immediate crisis and surge again on the other side. While we can't stop the virus itself, we can work to ensure that its long-term economic and social impact is minimised. COMPPS has identified the following measures as key to Sport's chances of making it through the pandemic and emerging on the other side to resume the role of Sport in the community and to work closely with Government to get the country moving. These measures are directed at the National Sporting Organisation (NSO) level – to secure the viability of our sports at this part of the ecosystem. COMPPS members will also work with their state and other affiliate bodies to assist them in identifying and accessing relief measures available from state and local government.

A Interest Free Loan Facility.

This measure would allow NSOs, according to their requirements, to borrow from the government over the next 6-12 months (or potentially an extended period subject to the timing of travel and mass gathering restrictions being lifted), to meet essential operating costs not able to be covered as a result of the shortfall or delay in revenue. It is proposed that the terms and quantum would be agreed individually with each sport, but on the uniform principle of interest-free/Treasury Corp rates and repayment over a reasonable period of time.

B Taxation Relief Plan

This measure would allow for NSOs, according to their circumstances, to receive a 6/12 month waiver of PAYG, FBT and GST taxation obligations to help sports survive the immediate crisis and to be able to generate activity that helps to rebuild economic activity.

C Tax deductibility measures.

This measure would introduce tax deductibility for grassroots participation/registration fees and, where applicable, club membership fees for FY20 and FY21.

As well as providing a nationwide incentive for people to return to active participation in sport after a period of no or limited physical exercise, it would address some key immediate challenges threatening Sport's viability. In immediate terms, it may reduce the level of refunds required (thus alleviating major cashflow challenges, particularly at lower levels of the sport, including where expenses have already been incurred for the commencement of seasons that have now been suspended). Longer term, it will promote and support the return to participation and attendance at Sport delivering recognised social, public health, economic and community benefits.

The above package of relief measures has been identified having regard to the following relevant factors:

1. COMPPS recognises that the practical application of relief will vary from sport to sport depending on the financial profile and circumstances of each sport.
2. The prospective timeframe for movement and social gathering restrictions is currently 6 months. Given cashflow profiles vary from sport to sport and are lumpy and volatile (across seasons or in some cases, multi-year event cycles) a 6-month shut-down period would translate to the need for immediate financial relief of upwards of 12 months. This would need to be re-assessed in the event of prolonged shutdown.
3. Everyone in the country must share the burden in both the containment and rebuilding phases. The sports have already undertaken and are committed to taking their own measures to address their long-term sustainability and self-sufficiency by drastically reducing operating costs. Refer to the Annexure for further information on such measures.
4. Each of the COMPPs sports commits to working with government on an open book basis to agree on the application of the measures to their sport (e.g. quantum of loan and repayment period) based on their projected cycle of revenue generation once sporting activity is resumed.
5. The COMPPS sports are also committed to working with government and other agencies to explore ways in which the unique assets of Sport (e.g. players, ambassadors, wide-reaching communication channels including digital assets) can support and promote the government's public health, community engagement and other messaging.

The Morrison Government understands the important role Sport plays in our society. Once the country is through the immediate health crisis, Sport will play an immense role in restoring normality, in signalling to Australians a return to the lives they knew before and rebuilding confidence in the future. Sport will do so through its unique ability to connect Australians every day, and at the same time directly support the resuscitation of other key industries that have also been hit hard – particularly the travel, tourism and hospitality sectors. Australia's seven major sports are united in their desire to help Australia. We thank you and the Australian Government for your support to date and for your national leadership during these unprecedented times.

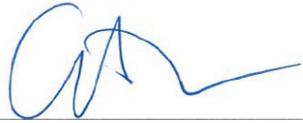
Further information relevant to this submission is attached in the Annexure.

We are available to meet to discuss this submission and its annexure or provide further information as required. Please contact Jo Setright, Executive Director, Policy at jsetright@compps.com.au or on 0438 100 106 with any requests.

Yours sincerely



Craig Tiley
Chief Executive Officer
Tennis Australia
Chairman of COMPPS



Gillon McLachlan
Chief Executive Officer
Australian Football League



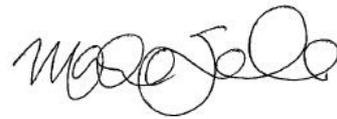
Kevin Roberts
Chief Executive Officer
Cricket Australia



James Johnson
Chief Executive Officer
Football Federation Australia



Todd Greenberg
Chief Executive Officer
National Rugby League



Marne Fechner
Chief Executive Officer
Netball Australia



Raelene Castle
Chief Executive Officer
Rugby Australia

ANNEXURE

COMPPS SUBMISSION OF COALITION OF MAJOR PROFESSIONAL AND PARTICIPATION SPORTS (COMPPS)

CORONAVIRUS CRISIS - GOVERNMENT RELIEF PACKAGE FOR SPORT

THE STRUCTURE AND OPERATION OF SPORT

The economic and social contribution that Sport makes to Australian society is significant - from the grassroots through to seasonal leagues and international fixtures, Sport is responsible for generating hundreds of millions of dollars in economic activity in Australia every year.

For example, one COMPPS member estimates the economic impact of its code alone in Australia is \$4.1 billion per annum. This is driven by:

- \$1.6b fans, media, partners and retail
- \$1.2b gameday events
- \$0.7b employment
- \$0.5b community, involving players, clubs and programs
- \$0.2b taxes and government charges

Sport creates direct and indirect jobs across multiple sectors and is a key pillar of the visitor economy – encouraging tourism, filling hotel rooms, booking restaurants and supporting retail activity.

SPORT AS AN EMPLOYER

The word “Sport” conjures a vision of a group of players on a field or a court, whether at the professional or community level. These are however just the tip of the iceberg. Behind the scenes, making this on-field activity happen, sits a complex organisational system.

Each of the COMPPS sports are both direct employers of thousands of ordinary Australians whose livelihoods depend on getting players onto the field or court and direct consumers of thousands of ordinary Australians whose businesses rely on servicing Sport.

While the players are the most high-profile employees, COMPPS sports employ people in a vast range of occupations and consume a diverse and broad range of services. Below is an illustration of the roles, functions and occupations that are typically found in professional and participation sports, from the national to state to club level, including sports managing representative teams.

The breadth, depth, variety and number of roles at a COMPPS sport tells the story of organisations that are responsible for administering their individual code (mostly also international codes) in Australia. This ranges from the development of programs at grassroots level for 4 year-olds playing a sport for the first time, to preparing the best male and female athletes in Australia to play in leagues that bring fans together every week or at the highest level, represent the country at major international events such as World Cups, Olympic games).

Australians have always been enthusiastic participants and passionate supporters of sport. Working in sport has now also become a genuine, realistic and substantive career path for many, evidenced by the proliferation and availability of vocational tertiary courses in the educational sector (e.g. sports management, sports science). There is a real diversity of

other career opportunities now available in sport, ranging, for example from web developers, graphic designers, communications specialists and lawyers, to psychologists, doctors, accountants and event managers.

In terms of numbers of employees, the individual sports will be available to provide data as requested by government. For illustration, one COMPPS member reports that its sport is a significant employer in the Australian sporting industry, with over 1,700 direct employees of the NSO and its state and territory associations. For two other members, the number is 535 and 585 respectively. Another member reports that the aggregate of full-time, part-time and casual across the NSO, State and Territory bodies and elite clubs (excluding players) is over 8,200.

In respect of the representative list of roles shown below the nomenclature (ie whether “General Manager”/“Head of” Department etc) and departmental structure may vary, however the nature of the overall functions covered within each organisation’s structure is very consistent across each code. For the purposes of this illustrative exercise, each distinct and essential function or area of responsibility/expertise is listed as falling under the responsibility of a “General Manager” noting that in some codes these may be combined or be performed at an organisational level other than General Manager. In each case the GM will be supported by a departmental team of employees working in that discipline/functional area).¹

National Sporting Organisation

Executive/Administration

Chief Executive Officer
Chief Operating Officer/Chief Business Officer
Chief Financial Officer/GM Finance
Chief Commercial Officer/GM Commercial
General Counsel/Head of Legal/ Company Secretary
GM Government Relations
GM People and Culture/Human Resources
GM Leagues/Competitions/League Operations
GM Corporate Affairs/Communications/Media
GM Game Development
GM Community/Participation
GM High Performance/Director of (the relevant Sport)
GM Integrity
GM Marketing, Sales
GM Events, Ticketing, Hospitality, Memberships
GM International Relations
GM Women’s (Sport)
GM IT/Technology/Digital
GM Diversity and Inclusion/Safeguarding
GM World Cup/Major Event Bids (where applicable)

High Performance/Teams/Technical

National Technical Director
National Teams Head Coaches and assistant coaches
Team Managers
Chief Medical Officer and Team Doctors

¹ This does not include elected officials (Boards, Committees).

Physiotherapists
High Performance/Athletic Performance
Referees and match officials
Strength and Conditioning
Dieticians and nutritionists
Massage therapists
National Teams coordinators
Development Officers
Analysts
Psychologists
Equipment Managers
Coach development for Juniors, Youth, Seniors and Women's

Role of NSO in game development for Community sport

While the events that are broadcast on TV screens are the most visible demonstration of an NSO's role, significant work is done by the "top" of the pyramid to grow and strengthen the "bottom" of the pyramid. For example, the role of an NSO game development team at the community level can be summarised as follows:

- **Strategy & Support**
 - Digital registration and competition management system.
 - Management of policy and governance.
- **Participation Delivery**
 - Delivery of school engagement and participation programs
 - Delivery of volunteer accreditation and training for:
 - Coaches
 - Referees
 - Sports Trainers/Safety Officers
 - Competition Managers
 - Club Administrators

In addition, to traditional game development and participation programs run by NSOs, in keeping with the government's broader policy agenda of using Sport to deliver social and health outcomes, the COMPPS members now run a range of community programs. These are focussed on addressing pressing social issues including mental health, prevention of domestic and family violence, obesity, bullying, Indigenous education and employment and social inclusion (eg with a multiculturalism, LGBTQI and disability focus).

State Sporting Organisations/Federations, and regional/local associations

Given the size, scale and significance of Sport in Australian communities, the need for stringent, responsive and modern governance, risk management and integrity at all levels is imperative and has been a key focus of sporting organisations and government (particularly through Sport Australia and the Office of Sport, NISU) in recent years.

As a result of Australia's federated model, organisational and governance structures of Sport to a large extent are replicated across tiers – national, state, local. Below is a representative list of the organisational roles and responsibilities carried out at the levels below the NSO. Again, they demonstrate the breadth and depth of roles performed by Australians whose engagement in sport is their primary employment/occupation.

In summary, whether at a state/territory governing body level or local/regional association level, individuals in these organisations provide the supporting infrastructure that sustains the eco-system from bottom to top. This includes (but is not limited to):

- delivering development initiatives in local communities;
- technical development managers working on educating and assisting club-based coaches
- referee development managers training and supporting inexperienced and often overwhelmed match officials
- individuals delivering programs in clubs and schools, promoting and supporting the public health benefits that derive from getting kids physically active
- management staff overseeing operations, finance, competitions and marketing
- general administrative assistants and competition administrators performing the day-to-day duties integral to keeping sporting communities alive and thriving in metropolitan and regional areas.

Administration

Chief Executive Officer

General Manager – Finance

General Manager – Commercial, Digital and Communications

General Manager – Operations, Compliance and Game Development

Payroll and Accounts Officer

Shared Finance Officer

Compliance Officer

National Systems Coordinator

Competitions Administrator

Coach and Referee Education Coordinator

Media and Communications Officer

Marketing and Partnerships Coordinator

Digital Marketing Coordinator, Graphic Design and Digital Content Officer

Competitions Manager,

Sponsorship/Media Manager

Administrative Assistant

Events Coordinator

Referee Appointments Officer

Game Development

Technical Director

Referee Manager

Development Officer

Referee Development Officer,

Schools Participation Officer,

Regional Technical Manager

Grassroots Clubs

Australians have always taken Sport for granted, because it's always been there. But Sport doesn't just happen. While community sport is underpinned by an army of local volunteers, Sport is an ecosystem that feeds off itself with each part top to bottom contributing to the health and success of the other – from national teams, through to professional leagues and grassroots participation.

The administrators in state or local associations are supported by dedicated and tireless volunteers, particularly at club level.

Passionate presidents, treasurers, secretaries and administrators work at the coalface developing bustling business and social hubs where friendships are forged, careers are launched and services are rendered. On any weeknight at an average club, dozens of new and experienced coaches can be found conducting sessions, guiding youth teams or working with women's sides to have fun, get fit and find respite from the pressures of daily life.

Away from the field, media managers, sponsorship experts, technical directors, health and fitness professionals, groundskeepers and canteen coordinators create engaging, welcoming, inclusive environments that reflect the diversity of their local communities.

Without Sport, livelihoods will disintegrate and these essential threads in our community fabric will come loose, denying Australians important outlets for establishing robust physical and mental health.

Clubs simply cannot cope with the costs confronting in these unprecedented times and the public cannot afford to lose them.

SPORT AS A CONSUMER

As something that penetrates the Australian way of life on a daily basis, the tentacles of Sport reach far and wide, in both a social and economic sense. In addition to the employees and volunteers engaged in delivering competitions and programs, there is a vast network of service providers to Sport in its capacity as a consumer. These service providers, whether sole traders, SME or large corporates, also face significant, potentially devastating threat to their viability from the shutdown of Sport at elite and community level. For example, these include:

Main Contractors: Physios, Doctors, Strength & Conditioning, Dietician, Nutritionist, Coaches, Assistants Coaches, Academy Staff, Business Consulting, Media Consulting, PR Consulting, Massage Therapists, Sports Psychology.

Other Service Providers/Contractors: Accommodation (including event attendees and travelling teams), Advertising, Apparel, Building Cleaning and Maintenance, Catering, Corporate Functions, Community partners and providers (including charities), Creative Agencies, Education providers – ongoing education and staff development, Entertainers (including singers, dancers, cheerleaders), Equipment hire, Food & Beverage, Filming and Production, GPS and Licenced Data, Ground Hire, Information, data and measurement companies, Insurance Brokerage, Multiple IT Services and Licensing, Leases, Maintenance, Media and Broadcast (including broadcast teams stood down; reductions in game day media production staff; journalists stood down, media agencies providing media monitoring), Merchandise (licensing partners and retail outlets), Photography, Power, Production services – companies and sole traders providing services for content production for sponsor activities and content for club and NSO websites and other media channels (audio, video and post production freelancers), Printing, Marketing Services (including brand design, advertising and promotions), multiple Professional Services (Legal, Audit, Tax, Other), Security (including traffic management), Sponsor Servicing, Stadium Caterer, Stadium Suppliers, Technology providers – video referee technology for elite games Telco, Ticketing Services, Tourism operators and interstate tourism partners, Travel, Transport and Vehicle Hire (including airlines; buses/coaches; private transfers for both event attendees, travelling teams and corporate travel), University – research funding agreements, Venue Maintenance, Operations and Presentation (including casual event delivery staff, ticket partners).

Additionally, there is the significant and detrimental impact that the shutdown of sport (at any level) will have on other service providers who may not be directly engaged by an NSO/SSO/local club but which rely on their existence to operate their businesses – whether that be pubs and restaurants in Caxton Street in Queensland, Swan Street in Victoria and Oxford Street in NSW to the local club sponsors (butcher, real estate agent, local club / pub) who generate a return on investment in supporting their community to the mobile coffee cart operators and kids entertainment companies that provide match day services and entertainment at home grounds.

In addition to the macro economic benefits that the sports collectively generate through our major events to State and Territory economies, Australian sport supports and in many cases is the lifeline for SMEs. Sport's survival and recovery (or not) will have significant downstream implications and determine whether these can continue to operate, employee Australians and in their own way, contribute to the economy.

THE COMMERCIAL MODEL OF SPORTS

The commercial model of the COMPPS members will naturally vary based on the individual characteristics of each sport – for example, whether the sport runs national men's and/or women leagues, is centred around a major event (e.g. the Australian Open), is part of an international sport with a multi-year event calendar, is an Olympic sport etc. Notwithstanding these variations, there are basic, common principles and features of the sporting commercial model (and resulting financial positions) that are true for all COMPPS members.

These are described in this section:

Principal revenue sources

Below are the common main categories of revenue for national bodies and clubs. In short, the impact of the COVID-19 suspension of sporting activity on Sport's ability to generate or retain these revenues is extreme, up to 100% in most categories. Either:

- the revenue cannot be generated at all (i.e. entirely dependent on matches being played, such as match day revenue)
- is or will be subject to claims for refunds (registration and membership fees)
- contractual instalments will not be paid or will be significantly reduced as a result of the sports not being able to deliver the promised benefit (broadcast, sponsorship, grants) or
- is affected by the overall economic downturn and restrictions on retail (merchandise, licensing).²

At NSO level:

- Broadcast revenue (domestic leagues, international leagues and, where applicable, national teams matches).
- Sponsorship and commercial (including digital) revenue

² In the case of the NRL, a number of Clubs are owned by a Registered Leagues Club and operate a business model whereby the Leagues Club provides the Football Club funding to cover the operating loss of the Football club at the end of the year. In 2020 this will not be possible as the operation of Registered Clubs has been banned by Government as part of the measures to prevent the spread of COVID 19. This makes the financial position of the NRL Clubs owned by Registered Leagues Clubs particularly challenging.

- Matchday revenue – ticketing, hospitality, venue rebates (e.g. for major events in Australia such as Australian Open, Grand Finals, State of Origin, international matches played by national teams)
- Registration Fees from community sport
- Merchandise, licencing and royalty revenue
- Registration Fees
- Grants from government and where applicable, international governing bodies
- Wagering revenue
- Other (e.g. foundations)

At club level:

- Participation grant/distribution from NSO
- Sponsorship
- memberships
- Matchday Revenue – Ticketing, Hospitality, Venue rebates game day
- Licensing, merchandise
- events
- government grants

Cashflow profile of Sport

The extreme impact of the Coronavirus crisis on Sport's revenue sources is outlined above. The position is compounded by the typical cashflow profile of Sport. Unlike, for example, other industry sectors with relatively smooth and regular revenue and expenditure profiles, Sport does not operate in this way. While expenditure is largely consistent across each month with some spiking around major events or international campaigns, revenue is not. It is lumpy, matching the seasonal and event-driven nature of Sport. As such, there is an inherent mismatch between revenue generation and expenditure commitments, with Sports operating off low cash reserves and dependent on being "in season" or hosting major events, in order to generate major lumps of revenue. The impact of this on Sport's ability to resume activity once restrictions are lifted is set out below.

Funding Sport's operations during and post hibernation - essential operating costs

The funding model of NSOs is, in most cases, a top down approach. That being that the NSOs, which own the primary generating assets for their code (professional competitions/tournaments/events/matches which generate broadcast, sponsorship and match day revenue), use this revenue and distribute it via grants through the system to run the professional and community arms of their sport in each State and Territory. These States and Territories in turn, use this revenue to meet their costs and obligations to their communities and constituents, whether that be local competitions and clubs or other community-based programs.

In addition to this, NSOs will re-invest revenue generated from their primary assets back into their business to carry out their business and meet their obligations as the governing body of their code, run their programs and maintain the facilities and systems which drive outside interest, connection and investment from broadcasters, sponsors and fans. This includes maintaining the infrastructure and systems around our elite teams, many of which represent Australia on the world stage, whether it be at the Olympic Games, Commonwealth Games, World Cups or World Championships.

The complexity of the financial ecosystem in which sports operates is that the revenue that is generated is, other than broadcast, variable and cyclical – that being, revenue peaks in and around the delivery of the competitions / tournaments but the costs of the operations are

generally fixed and amortised across the financial year (although there is often a spike in operating costs when these competitions / tournaments etc are delivered due to venue hire etc). While sports are used to managing their businesses through this cycle and plan accordingly, it does create an imbalance through the financial year which is exacerbated when the revenue streams effectively collapse due to unforeseen and unprecedented events like COVID-19.

While the COMPPS sports recognise that business as usual operations, activities and strategic investments which were planned for 2020 cannot be maintained, and that the operating model of NSOs will require significant review, there are a range of unavoidable financial costs and commitments which must be met in order to keep businesses operating – even in a hibernation mode – this year so that the sports can bounce back on the other side and continue to deliver to the millions of Australians who participate (in any capacity – whether as a player, volunteers, match official or administrator) and/or watch sport, attend events and cheer on their team. These unavoidable financial costs and commitments include:

- Property Costs / Rental
 - community sport departments (sports have game development offices all over the country, where staff involved in promoting sport participation in schools and supporting local sporting clubs are based)
 - training and administration centres for professional teams (which are also accessed by community clubs and players)
- Grants to Member Organisations to maintain community sport activities (generally the State Sporting Organisation)
- Grants to Member Organisations to maintain elite programs (generally the professional teams competing in national elite programs)
- Elite program costs – to maintain professional and representative team performance on the national and international stage, including player wellbeing & education; medical support; and high performance servicing
- Staffing & Business Infrastructure (this includes staffing costs, office expenses, travel, IT, Phone/Internet, program resources etc)
 - Community sport department staff to support grassroots sport including coach education, referee education, accreditation of volunteers, school based participation programs and other social programs (Indigenous education, mental health, social inclusion etc)
 - Commercial and Digital department staff with a focus on revenue generating activities eg sponsorship sales and servicing; major event organisation, marketing and ticketing; merchandise programs; broadcast and content generation. The revenue generation from commercial and digital departments is essential to funding community sport activities
 - Operational staff required to coordinate the logistics associated with putting on an elite competition eg venue bookings/quality assurance; travel and accommodation coordination; broadcast operations
 - Integrity Unit staff to ensure compliance with relevant codes of conduct (wagering, drugs etc) and salary cap compliance
 - Essential staff for the operation of any business eg Finance, People and Culture, Legal, Media and Communications

MEASURES TAKEN BY SPORTS

The COMPPS members have taken significant measures already to address the impact of the Coronavirus. These measures have been necessitated by the shutdown of competitions and consequent loss of most if not all revenue sources.

While these measures are directed at enhancing chances of survival in the immediate term (supplemented by the necessary government relief being sought in this submission), the Sports recognise and are committed to re-setting cost bases as part of a longer term sustainability model once activity is resumed.

Below are some examples of measures already taken by COMPPS members. Further details are available on request. The timing of these measures reflect that some members are at different points in their revenue generation cycle to others and therefore required to take drastic measures immediately. Notwithstanding, it is expected that all sports will be implementing similar and further measures.

Administration cost-cutting measures

Example 1

- Across the NSO and state bodies, on average, 80% of staff have been stood down initially on annual and long service leave entitlements before being required to move to leave without pay. The stand down at this stage is to 31 May 2020 – to be reviewed in mid-May
- Freeze on recruitment
- Mission critical staff that remain in organisations have reduced hours, on average 35% reduction, most are able to draw down on annual and long service leave entitlements
- Redistribution of skills to reflect needs of business
- Executive pay cuts are in the order of 20 to 50%, remaining working usual hours

Example 2

- Across NSO and state bodies all casual staff (over 2000) stood down and 80% of other staff full-time and part-time (over 1300) stood down.
- Across clubs – excluding players – 90% of staff (over 4700) stood down

Example 3

- At NSO and across states and clubs, cumulatively there have been more than 2,100 people stood down (approximately 90% of workforce) excluding players. In most cases staff will run leave balances to zero, then be put on leave without pay.
- Wage cuts – NSO executive and Club executives are taking major wage reductions
- Cost reductions – NSO to cut its operating costs by 53%, including a 95% reduction in staffing levels during the shutdown period

Example 4 – at NSO level

- 70% of staff stood down.
- Reduction of essential roles to part-time
- Mandated annual leave, long service leave or leave without pay
- Significant cost-cutting in other areas

Example 5

- staff reduced to working a 3.5-day week, using leave for the remaining 1.5 day of a full-time week.
- All 150 casuals have had their shifts cut and 35 staff on fixed term contracts will not be extended.
- These measures start 20 April until at least 30 June.

Example 6 – at NSO level

- a freeze on recruitment and all non-essential operating expenditure
- enforced leave,
- reduction in executive remuneration by 20%.
- Other substantial cost measures are under review.

Example 7

- Across the NSO and state bodies, on average, 75% of staff have been stood down, excluding players. In most cases staff will run leave balances to zero, then be put on leave without pay. The stand down at this stage is from 1 April 2020 to 30 June 2020.
- Executive pay cuts of between 30-50%, with executives continuing to work full-time.
- Small number of non-executive staff deemed essential moved from full-time to part-time, with substantially reduced hours and income.
- Freeze on recruitment.
- Suspension and/or termination of non-critical contractor services.

Player Payment cuts

The measures above relate to cost-cutting in administration. In addition, a number of COMPPS members have been able or are working to conclude urgent re-negotiations with the relevant players' association to implement significant player payment cuts. These have been well publicised and include:

AFL Player Salaries and Grants:

- Pay cut of 50% to end of May
- A pay cut beyond that of up to 70% if games are postponed for longer
- A pay cut of 50% when games are resumed
- Agreement to play until end December if required
- Cancellation of grants (over \$8m) to AFL Players Association until end October including payments for injury and hardship, retirement account, player development and wellbeing and operating grants.
- Agreement to continue to work through implications for the current CBA and changes beyond 2020

Super Netball Player Payments:

- Two weeks leave from 30 March
- Thereafter return for 7 hours per week at 70% pay reduction for three weeks
- Competition re-start subject to review by late May

NRL

- Players to be paid until the end of May, which includes the distribution of funds from the Player's Injury Hardship Fund
- No further pay from June onwards if the season cannot be resumed

Rugby Australia

- Rugby Australia has announced that following institution of a raft of deep cuts across RA and the super teams, equating to over 75% savings in costs across these organisations, that it has commenced formal discussions with the Rugby Union Players Association with a genuine desire to find a fair and reasonable solution on a short term pay deal with the players for the three-month period from now until June 30.