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General Manager
Commerce Commission
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NZRU APPLICATION FOR AUTHORISATION

I have been asked by the New Zealand Rugby Union (NZRU) to provide some comments on a number of matters contained in the Commerce Commission's Draft Determination and I have set these out below.

Paragraph 479

The Commission has noted in paragraph 479 that it was unclear from the information the NZRU had provided what role, if any, a range of factors other than the Salary Cap might have had in increasing the popularity of the NRL. Having been involved in the game for many years in a variety of roles from player to administrator, I believe that I can comment with some authority that factors such as cultural trends, sporting tastes, population growth and so on have been in existence for far longer than we have been enforcing the Cap but have not provided any noticeable change in the health of the game at any level. It is true that I mentioned the fact that Club administration has become more professional over the years but improved organisational structure has been driven by the NRL Rules including the Salary Cap Rules. It would also be misleading to say that improved organisational structure has been a significant factor in the benefits to the league of increased match attendances, sponsorship and broadcasting revenues and Club profitability.

In my view, a coach is only as good as his players and a builder cannot build without tools. The NRL Salary Cap Rules have provided the NRL and Clubs with a framework of consistency and strength from which the Club and NRL administrators can perform to the best of their abilities. This is what I believe to be the key to the currently strong position of the NRL. The Salary Cap Rules we have written have come from a number of sound principles including:

- the Rules are written to assist Clubs in their quest to run a more fiscally responsible business;
- the Rules are written in such a way as to avoid subjective decision making by individuals and in particular the Salary Cap Auditor which inevitably produces inconsistencies;

- the Rules were written with substantial input from individuals taking into account the experience such individuals had as players, Club administrators and league administrators;
- the Rules were written to reflect the unique features of rugby league;
- the Rules allow for amendments where and when necessary to address loopholes, inconsistencies and changing trends.

Paragraph 616

The Commission has also questioned the link between the evenness of competition and greater attendances/gate revenue. All I can say is that from the NRL's experience, the link has been very strong and I cannot endorse too strongly the need to have an even competition so that fans, players and sponsors can watch or attend matches expecting a contest. This evenness provides an opportunity for continued support season long. This is seen by the crowd growth in the NRL in recent seasons and the log-jam of Clubs vying for finals positions at seasons-end, which continues to have fans and players excited throughout each match and throughout the entire season. In my original statement to the Commission I noted that the last 3 years to 2005 have seen a 27% increase in crowds attending NRL games across the board which I attributed to the unpredictability of the games and the fact that so many Clubs were in contention to make the finals until so late in the season.

Paragraph 556

The Commission has also suggested that under a Salary Cap regime, average total salary expenditure within Clubs will fall thereby causing migration of players overseas. Although I do not have specific figures, my contacts with the Clubs would suggest that there has been no greater migration of players overseas under the Salary Cap than prior to it. That is the case even though when the Cap was introduced after the Super League war there were one-off substantial reductions in total average salaries after that time. (In the period of the Super League war player salaries had tripled over one season to a clearly unsustainable level).

The reality is that the Clubs rely primarily on NRL grants from game revenue such as TV rights income to support player payments. As the game has progressed in recent years under the Salary Cap the TV contracts have improved dramatically allowing bigger grants by the NRL to the Clubs with a goal of closing the gap between the level of the Salary Cap and the Club grant. These grants have been passed on to players proportionately causing greater average player salaries over time. The increase in player salaries is a reflection of the success of the game with NRL players receiving a greater proportion of game revenue than their counterparts in AFL or Rugby Union. As the game has prospered under the Salary Cap the level has increased and there are currently proposals to increase it further based on the successes of 2005 in crowds, sponsorship revenue and the new TV deal. As the Salary Cap has increased the average player salary has also increased.

In relation to the NRL the suggested migration of players due to a cap on salaries has not been a huge problem in my view as the health of the game allows for quick regeneration of new talent.

Paragraph 576

There are also comments in the draft determination to the effect that the Commission expects the introduction of the Salary Cap could have the effect of lowering player skills. I am extremely surprised by such a suggestion and totally disagree with it. Nothing could be further from the truth in the case of the NRL and in my experience there would not be a single Club or player who would claim that position. The NRL experience is that a more even competition, as caused by the Salary Cap , is in fact more conducive to honing player skills due to the competitive nature of the Clubs to ensure they produce the best results from the athletes they have on roster and are developing. The Salary Cap is also beneficial in ensuring that all the best players are increasing their skills through increased game time due to the talent distribution effects of the Salary Cap rather than sitting on the bench of a wealthier Club which may occur in the absence of an effective Salary Cap.

Paragraph 661

I also note that the Commission has suggested that a prediction of 10-20% increase in spectator demand is overly optimistic. It may well be that a 10-20% increase in the first year or two is ambitious and the NRL's experience is that the growth in crowds since the introduction of the Salary Cap whilst it has been steady, has taken sometime to reach the peak of the "fairy tale" season of 2005. Over that time, there have been a number of parties including players, players agents, Club Chairmen and other interested parties who have criticised the NRL Salary Cap and its ability to deliver the benefits that have now indisputably been shown to be attributable to the Cap. Almost all of those negative comments have proven to be unfounded.

I am happy to expand on any of the above if you would like.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Ian Schubert', with a long horizontal flourish underneath.

Ian Schubert
Director
Registration and Salary Cap Auditor
National Rugby League