

MANAWATU RUGBY

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13 December 2005

The Registrar
Commerce Commission
PO Box 2351
Wellington
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Dear Sir/Madam

The Manawatu Rugby Union received the Commerce Commissions letter regarding the proposed changes to the New Zealand Rugby Union (NZRU) player regulations and wish to make a submission on the subject.

- **Proposed Changes to NZRU player regulations**

For many months the parameters of a new Players Collective have been distributed and discussed at all levels of administration in the game of rugby in New Zealand. The Manawatu Rugby Union initially had concerns regarding the salary cap and the support mechanisms involved that were integral parts of the salary cap evolution, if it was to occur. We believed at that point that the salary cap alone was not going to assist in ensuring a fair and equitable playing field for player recruitment for unions the size of ours. With several points to raise we went to a meeting with virtually all NZRU CEO's and had all our issues either addressed or explained to the overall satisfaction of the MRU Board.

Our position is now quite clear. Our union has asked the hard questions and although there are minor areas that will always cause concern, such as the shear money and support mechanism available to any union that is a Super 12 Franchise base, we believe that on a balance the evolutions that have been outlined in the new Players Collective and through the withdrawal of the NZRU Transfer Regulations will, after a settling in period, be good for the game at all levels.

Here is an outline of our position in support of the removal of the NZRU Transfer Regulations and the proposed implementation of the salary cap.



Proud Members of ...

- **Salary Cap**

The Salary Cap is intended to have the effect of encouraging a more even distribution of playing talent thereby contributing to a more even competition and also achieving better cost management by Provincial Unions. The public benefits that the NZRU says will flow from this are:

1. A more sustainable economic base for the game.
2. A more even competition leading to:
 - Enhanced domestic sponsorship, merchandising, broadcasting interest and funding.
 - Stronger Super Rugby / All Blacks teams.
 - Greater audience enjoyment.
 - Increased net foreign exchange earnings for the NZRU.
 - Increased foreign sponsorship for Provincial Unions.
 - Savings on overseas marketing expenses for New Zealand businesses.
 - Enhanced exports of New Zealand goods.
 - More foreign tourists.
 - Better and more opportunities for player development.

The Manawatu Rugby Unions two biggest concerns were that the salary cap was too high to make a difference and that lack of game time would not cause players to either remain with lower ranked unions or transfer into unions while seeking a playing fifteen opportunity.

Salary Cap \$2m level

Unions of our size would have liked the cap to have been lower. We have pushed that position but on the balance of arguments explained at the CEO's meeting, such as Super 14 Unions already reaching that cap, we realise and appreciated that there had to be a balance.

Our union has analysed the position as is now being applied (major unions are having to watch thresholds already in preparation for the introduction of the salary cap, if approved, for 2006) and we have found that we are already benefiting from major unions concerned that they may breach the limits if they sign on any greater numbers. Our closest union is already talking to us about our ability to take loan players should they go close to the cap in 2006. As our team evolves we believe we will indeed be the recipients of the flow on effect from the salary cap, if approved. This whole process has also indirectly improved relations with several of our Super 12 unions and appears to be working to its desired effect already simply through the spectre of implementation on the horizon.

Player reaction

We believe that individual players are also now more aware of the need for game time to be seen by selectors and appear to be taking advantage of the more level and inclusive playing field to move and be part of a team that can afford them a starting 15 position.

Several fringe players have already indicated that if they are not in the playing 15 picture then they will seriously consider our union and are holding off signing contracts. With previous limits and fees that was a position we had to evaluate very carefully from a pure cost perspective and quite clearly the major unions have to scrutinise very closely.

- **Changes to Transfer Regulations**

The benefits that the NZRU expects to flow from the proposed changes to the Transfer Regulations include:

1. More player movement which could assist “less competitive” teams.
2. More opportunities for player development.
3. More opportunities for teams with fewer NZRU contracted players to acquire talent.
4. Increased fan base in “smaller” provinces and better sponsorship opportunities.
5. Provincial Unions investing more in training and development of talent leading to better team stability and better quality players.

This area in particular is of huge benefit to our players and our search for new talent to gain run on positions in the Air NZ Cup. Although our players are also not protected, our draw on players in the foreseeable future means that we will no longer have to forego our search for certain players due to financial restraints not related to the players income. For example, on two occasions this year we have had to withdraw from potential contracts due to the overall costs of the transfer regulations when combined with the market rate for that particular player. On several occasions we have actually offered contracts to offshore players at similar levels as they are “better value” than the NZ market when transfer fees are applied. We believe that the current system is actually a disadvantage to NZ based players and offers no value to players trying to aspire to the top of their game but perhaps on the fringes of some unions talent pool. Clearly our experience with the transfer regulations means offshore players currently have an advantage over New Zealand based players. A position we believe disadvantages our own high performance players trying to gain an opportunity in this country.

- **Conclusion**

The Manawatu Rugby Union believes that the benefits of introducing the various aspects of the new NZRU arrangements far outweigh the potential competitive detriments that may flow from these arrangements even though the benefits/detriments may not fully materialise for a couple of seasons (i.e. until the cap has a more direct impact and has been applied).

As in any change process the full benefits will take several years to be both understood and have an impact. We have looked at the NRL in Australia and how beneficial the cap is for that sport. Although we have an imbalance in the financial structure of the Super 12 base unions, we believe this process goes some way towards ensuring that market force benefits do not remain the sole domain of the big five unions (those in Super 14) in this country.

The Manawatu Rugby Union, for the reasons stated above, fully support the implementation of the salary cap and the disbanding of the current NZRU Transfer regulations, except as they remain for the amateur Division One unions.

Hadyn Smith
CEO
Manawatu Rugby Union