



13 December 2005

The Registrar
Commerce Commission
P O Box 2351
Wellington

Re: Application for authorisation of proposed arrangements – New Zealand Rugby Football Union Incorporated (NZRU). Your Ref: J7496

The Northland Rugby Union (NRU) acknowledges your letter dated 17 November 2005 outlining the application that you have received from the NZRU seeking authorisation of certain arrangements. The key aspects of the arrangements are:

- a. A salary cap in the Premier Division (Air New Zealand Cup);
- b. A change to the current Transfer Regulations whereby Development Compensation Fees will only be payable for players moving from "Modified Division One" Provincial Unions to "Premier Division" Provincial Unions;
- c. A prohibition on remuneration payments to players in Modified Division One.

The NRU understands that once these arrangements are adopted they will be binding on our organisation.

The potential benefits associated with each aspect of the Proposed Arrangements that are likely to flow either in the short-medium term or the longer term when compared with the alternative (i.e. retaining the Transfer Regulations in their current form for the new Domestic competition) can be summarised as follows:

Benefits

- a. 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 will flow from this are:
 - A more sustainable economic base for the game.
 - A more even competition leading to:
 - ❖ Enhanced domestic sponsorship, merchandising, broadcasting interest and funding
 - ❖ Stronger Super Rugby / All Blacks team
 - ❖ Greater audience enjoyment
 - ❖ Increased net foreign exchange earnings
 - ❖ 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

SUB UNIONS

Bay of Islands
Hokianga
Mangonui
Northern Wairoa
Rodney
Whangarei



b. Changes to Transfer Regulations

The benefits that are expected to flow from the proposed changes to the Transfer Regulations include:

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

c. Non-payment of Modified Division One Players and No Loan Players

The benefits if this aspect of the Proposed Arrangements are expected to be:

- Better cost management amongst Provincial Unions leading to a more economically sustainable financial position
- More resources freed up from contracting players to concentrate on innovative ways of developing local talent
- Greater sense of “community” generated leading to enhanced fan enjoyment and so on
- Enhanced revenue opportunities from a more even competition

We would expect that any detriments will be minimal as any compliance costs can be covered by our own internal resources.

The benefits of introducing the various aspects of the Proposed Arrangements far outweigh the potential competitive detriments that may flow from these arrangements even though the benefits may not fully materialise for a couple of seasons (i.e. until the cap has a more direct impact).

Thank you for the opportunity to provide feedback. If you have any questions please do not hesitate in contacting me.

Regards,

Tim Hamilton
Chief Executive Officer