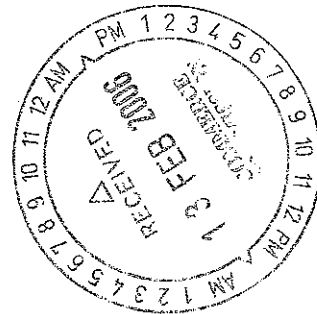




North Otago Rugby Football Union
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10 February 2006

Ms Nicky Beechey
 Commerce Commission
 PO Box 2351
 Wellington



Regarding: Application For Authorisation Of Proposed Arrangements
 - New Zealand Rugby Football Union – Ref: J7496.

Dear Nicky,

Please find enclosed a submission from the North Otago Rugby Football Union for your attention.

Should you require further clarification then please don't hesitate to contact the undersigned.

Yours sincerely

Colin Jackson
 Chief Executive Officer





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18 January 2006

The Registrar
Commerce Commission
44-52 The Terrace
P O Box 2351
WELLINGTON

**RE: APPLICATION FOR AUTHORISATION OF PROPOSED ARRANGEMENTS
- NEW ZEALAND RUGBY FOOTBALL UNION – REF: J7496**

1. These submissions are made by the North Otago Rugby Football Union.
2. The submissions are divided into a number of areas but at the outset it is important to note that the North Otago Rugby Football Union opposes the application.

Background

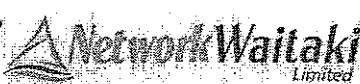
3. The North Otago Rugby Football Union is one of 26 (formerly 27) autonomous unions making up the rugby community of New Zealand.

The NORFU is one of the smallest unions in the country and covers an area from the Waitaki River to the North, to Hampden in the South and inland along the Waitaki Valley to Kurow. The population catchment for the area is approximately 25,000 people. The NORFU has under its authority and control six rugby clubs comprising three clubs based in Oamaru and three clubs that could be described as country clubs. Each of those clubs run its own affairs with the NORFU having overall responsibility for rugby management and welfare within the North Otago area.

In all of these matters however the NORFU, like the remaining 25 unions, is under the auspices and control of the New Zealand Rugby Football Union. This is the only governing body of rugby in New Zealand and is, in our submission, effectively in a monopoly situation when it comes to matters such as competition structure, rules, regulations, entry into competitions and requirements in relation to administration of unions.

Business Based Model

4. There has been, over some years now, a growing demand by the NZRFU for unions to base their operations on a more business based model with the requirement for certain accounting practices, the requirement for annual reporting to the NZRFU, the make up



of Boards which must now contain independent directors and a great many other facets that are clearly aimed at recognising the “business” emphasis on rugby administration particularly since the advent of the professional game. It is timely that the NZRFU has recognised that the “business” of rugby brings it fairly and squarely within the confines of the Commerce Act and hence its application pursuant to the salary cap.

Performance

5. The current situation of competitive provincial representative rugby in New Zealand (that being the situation that exists prior to the inception of the 2006 proposed changes) allows for three divisions within the national provincial competition. As expected the first division comprises the larger and stronger unions such as Auckland, Wellington etc. The second division also includes large unions such as Counties, Hawkes Bay and Manawatu. The third division often comprises smaller unions which reflect perhaps their lesser player numbers.

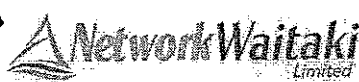
Within each of those divisions however there is an ability to move up through the ranks in that the winner of the second or third division in each year then had the right to play a promotion/relegation game with the lowest ranking team from the division immediately above.

Against all expectations, North Otago did just that in that it won the third division in 2002 and entered the second division in 2003. For the succeeding three seasons 2003, 2004 and 2005 North Otago made it to the top four in the second division playing in the semi finals on each of those three occasions but not progressing to the finals. In 2005, North Otago narrowly lost to Hawkes Bay in the semi final in Napier. Hawkes Bay went on to win the second division competition by beating Nelson in Napier.

It is important to note that from the NORFU’s point of view the ability to achieve at what has been and indeed recognised by the NZRFU, at the highest levels has been in no small part due to the ability of the NORFU to utilise aspects of the professional game and also to utilise “loan players” in its representative team.

Professionalism

6. The NZRFU has gone to great lengths since the advent of the professional game to emphasise its importance and indeed to focus on that aspect of the game, in our view sometimes to the detriment of other aspects namely rural rugby. Having an ability to pay players, as we have done in the past but under the proposed changes is now denied us, has enabled the NORFU to achieve a great many things both for rugby within our community and also for the players themselves. At the outset, it is important to emphasise that the amounts that we traditionally have paid to some players are very much at the low end of the scale when taken in context with some of the more notable players and teams and the amounts that they pay. Typically a player may receive something in the order of \$100 per match. There are other benefits available to the



player but they relate largely to the provision of equipment, playing gear, costs of travel and relocation etc.

Similarly, in the past, the NORFU has availed itself of the ability to “borrow” players typically from Otago. In that sense, there has been a good and worthwhile working relationship between the NORFU and the Otago Rugby Football Union and this has been to the benefit not only of rugby in North Otago but also to the players themselves. Typically, the NORFU’s NPC side could offer a player from Otago the chance to play at a high representative level and giving them some exposure to other sides, coaches and scouts for larger unions. There have been a number of players from the North Otago second division side that have gone on to play for a first division side and a super 12 side. This has long been recognised by ourselves and the Otago Rugby Football Union as a valid and effective career path for young players to gain experience before moving up through the ranks.

The benefits to North Otago rugby were important in having those players in our representative side. We could, at any one time, only field the maximum of six players from outside the union area who were not domestic players meaning that the bulk of the team were made up of local players. Those players were exposed to and played alongside loan players often of significant quality and skill levels and our local players learnt from them. In doing that they acquired, often, greater skills, confidence and improved their general play and technical skills. The matter however does not end there given that those local players, in the succeeding season, would play their club rugby in North Otago and take to their clubs the greater attributes that they had gained in the preceding representative season. This served to assist the clubs, create better and more rounded rugby players, and generally improve rugby within the area. The proposal by the NZRFU effectively denies North Otago rugby what has been one of the mainstays of its success over the last 5-6 years. It is important to point out, that that success is sustained and not simply a “flash in the pan”. It is the combination of a community committed to rugby and very conscious of the history of rugby in this area, a wish on the part of the rugby community to perform well and at the highest level and to utilise the legitimate avenues to achieve those aims. In effect therefore, it would be our view that the quite draconian proposed changes significantly disadvantage rugby in North Otago at senior and representative levels. If we understand the situation correctly, if a club within our area finds itself short of a player in a certain position at a senior level and then elects to bring in perhaps a New Zealand player currently playing overseas to play in their team for that season and pay that player’s airfares and possibly also assist with accommodation etc., then under the proposed rules that would rule that player ineligible to play for the North Otago Football Union representative side as he would be deemed to be a professional player. We would perhaps echo Mr Moller’s comments in respect to the recent challenge to the World Cup bid by saying, in one word it is “nonsense”, in two words it is “absolute nonsense”!

Parity of Competitions

7. Prior to the announcement of the proposed 2006 competition, it was made abundantly clear that NZRFU was considering taking 12 unions into the premier competition. It



came as a surprise therefore, when Mr Hobbs announced that in fact 15 unions were being included in the competition comprising 14 teams. This on the basis that the former provincial unions of Marlborough and Nelson Bays would amalgamate to form the Tasman Rugby Football Union. To highlight the inequities on the playing field, it is important that we note that of the teams in the second division who have been included in the premier competition are teams that we routinely played at a semi final level and included the Manawatu Rugby Football Union which to our knowledge has not made a semi final or final in the time that North Otago has played in that competition.

Consequently, we find ourselves in the position where teams that we routinely played, and competed well against, are now denied to us given that there is absolutely no pathway between the proposed premier competition and the proposed first division. There is in effect a concrete wall between those two divisions that cannot be breached under the proposed rules and regulations.

At this point, it should be stated that some of the unions comprising the proposed first division have not in the past availed themselves of the ability to pay or reimburse players and/or have chosen not to utilise the ability to have loan players in their sides. It is inappropriate for us to make any comment on those choices; those are choices for that union and that union alone in considering the make-up of its representative side for any particular season. It is however, important that we note that those choices exist under the current regime and may or may not be utilised as each individual union considers what is appropriate for their needs. Entirely and regrettably, the NZRFU has seen fit to use its monopoly position, to remove those choices and therefore, in our view, significantly disadvantage us in the pursuit of our sport, within our area.

Effects

8. Having outlined the manner and expectations of the rugby community of North Otago in preceding paragraphs, it would be our view that the changes as proposed will have a significantly detrimental effect on rugby in this area. It will mean that current local players will not be exposed to players of greater skill and experience through the loan player issue at a representative level and is likely to have a detrimental effect on the quality of our representative side. It also means that the ability to counteract the financial impact of playing a representative season for players, whether they be local or from outside the area has now been removed making playing at a representative level possibly less attractive to some players.

The inclusion of 15 unions into the premier division as opposed the 12 originally stated also creates some difficulties but the effect of those is yet to be determined.

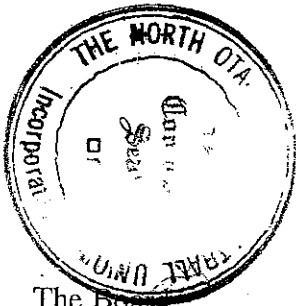
Conclusion

9. It is the view of the North Otago Rugby Football Union as follows:
 - (a) Whilst we have concerns about the lack of transferability of a union between the proposed first division and the premier division we nonetheless do not take issue with the competition structure but accept that that is the structure at least



- for the next three years that we will be required to play under. As a consequence these submissions do not go to the structure itself.
- (b) The issues that we have with the proposal relates to two aspects, firstly the imposed amateur status and secondly, the removal of the ability to utilize loan players.
 - (c) We do not see any rationale or justification for treating one group of unions differently from another but believe that all unions should have the same abilities to promote and develop their game in their area.
 - (d) We would point out that the record of the North Otago Rugby Football Union, under the current arrangements which include professionalism and loan players has been quite outstanding.
 - (e) It is quite wrong, in our view, to impose these restrictions if the effect is simply to cater for the lowest common denominator. Competition, in our view, is as much about choice as anything else and the utilization of such choice.
 - (f) We would therefore seek to have the first division unions able, should they so choose, to pay players and to utilize loan players so that no artificial distinctions exist between organisations that are, in all respects, sharing a common goal and aim.

Yours faithfully



The Board
North Otago Rugby Football Union

