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Australian Sports Commission

# Governance and Commercialisation in Sport



# Good governance practices are back on the agenda and important for the financial health of sport.

- If not, why not?
- Annual Sports Performance Review (ASPR) Process
- Risk on investment assessment includes governance risks
- Mandatory governance standards
- Ministerial support



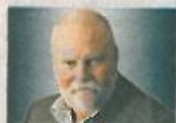
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## Dollars are on the line...

# Run sports our way or lose funding

EXCLUSIVE

PATRICK SMITH



today by the Sport Minister Kate Lundy, are designed to ensure the adoption of best practice across all sports and are a clear indication that independent commissions are the favoured model.

It is a document critical to Australian sport as the ASC recognises 90 codes and outlays more than \$120 million in funding 60 of them.

The power of the ASC was underlined in 2005 when the AFL capitulated after a threat to withdraw government funding was issued if it did not sign the World Anti-Doping Agency accord.

These new guidelines concentrate on independent governance and business protocols.

The revision of the guidelines, first introduced in 2002, would appear to put rugby union in particu-

lar under close scrutiny and to a minor extent cricket and tennis, as well as other non-compliant codes. Rugby union is administered by the traditional but out-of-favour federal delegate system and weighted voting according to state pecking order. Judging by the guidelines, rugby appears to be No 1 on the government's list of recalcitrant sports.

Rugby is run by a board of eight and 14 delegates representing the states and territories. That is well removed from the model supported by the ASC which advocates five to nine directors, all independent, with power to make external appointments to fill skill gaps and should be reflective of key stakeholders but not at the expense of the expertise of the board.

Australian Rugby Union chief executive John O'Neill has publicly favoured a remaking of the sport's governance yet there appears to be little momentum within the sport to change. It would require state delegates voting themselves out of power. Rugby union received more than \$1.2m from the ASC last year as well as the goodwill of the funding body.

Senator Lundy told *The Australian* the guidelines were "a shot across the bow" of sports reluctant or slow to move towards contemporary governance. She warned a risk of losing funding "was always part of the conversation".

However Lundy stressed the government would prefer that sports should act of their own volition. "It is an opportunity for all

### Federal Government allocations 2011-12

Sport	Annual grant
Paralympics	\$13.61m
Swimming	\$9.45m
Cycling	\$7.56m
Rowing	\$7.19m
Hockey	\$6.86m
Soccer	\$3.58m
Netball	\$3.05m
Cricket	\$1.62m
Tennis	\$1.44m
Rugby Union	\$1.22m
Australian Football	\$1.17m
Rugby League	\$811,660

sports to invest in their own future," she said. "Good governance drives good outcomes. These guidelines will strengthen Aus-

tralian sport and make it strong and resilient."

Senator Lundy said the government wanted sports to improve their transparency and that sporting bodies, not just athletes, were role models for the community.

"A modern governance structure is the basis for making the critical connection between elite professional sport and community sport, where millions of Australians live their own sporting dreams," Lundy said. "The government is laying out the building blocks of best practice in sporting governance and we are confident this will help."

Tennis Australia felt the power of the ASC when in 2004 the sport queried why it was only the 22nd highest-funded sport. The ASC's

then chief executive Mark Peters said it was because of a lack of performance on court. A subsequent review also found its governance model cumbersome and compromise and tennis funding was under further renewed scrutiny.

This October the last state-based member will leave the board. For it to be an independent commission however, it must still remove the right of the states to nominate board members. The revamped governance model has also ensured an improvement on the court with Australia having its best year in a decade and its most successful Australian Open.

Tennis Australia's chief executive Steve Wood said the change to a contemporary model was lengthy but rewarding. "We still

have some work to do yet," he said.

In 2003 soccer was revamped in the wake of the Crawford report. One recommendation was to establish the A-League under licence to the FFA and run by an independent commission (chairman Frank Lowy). Crawford noted that soccer at the time was "not endowed with the expertise to operate a financially viable and successful national competition".

Cricket Australia has pushed towards an independent commission but has not fully committed, claiming every state be represented on the "independent board".

Board composition, their roles and powers is the first of six principles that are at the heart of the government guidelines.

# The AFL led the way, now other major sports have realised the importance of governance and are changing



1993



2005

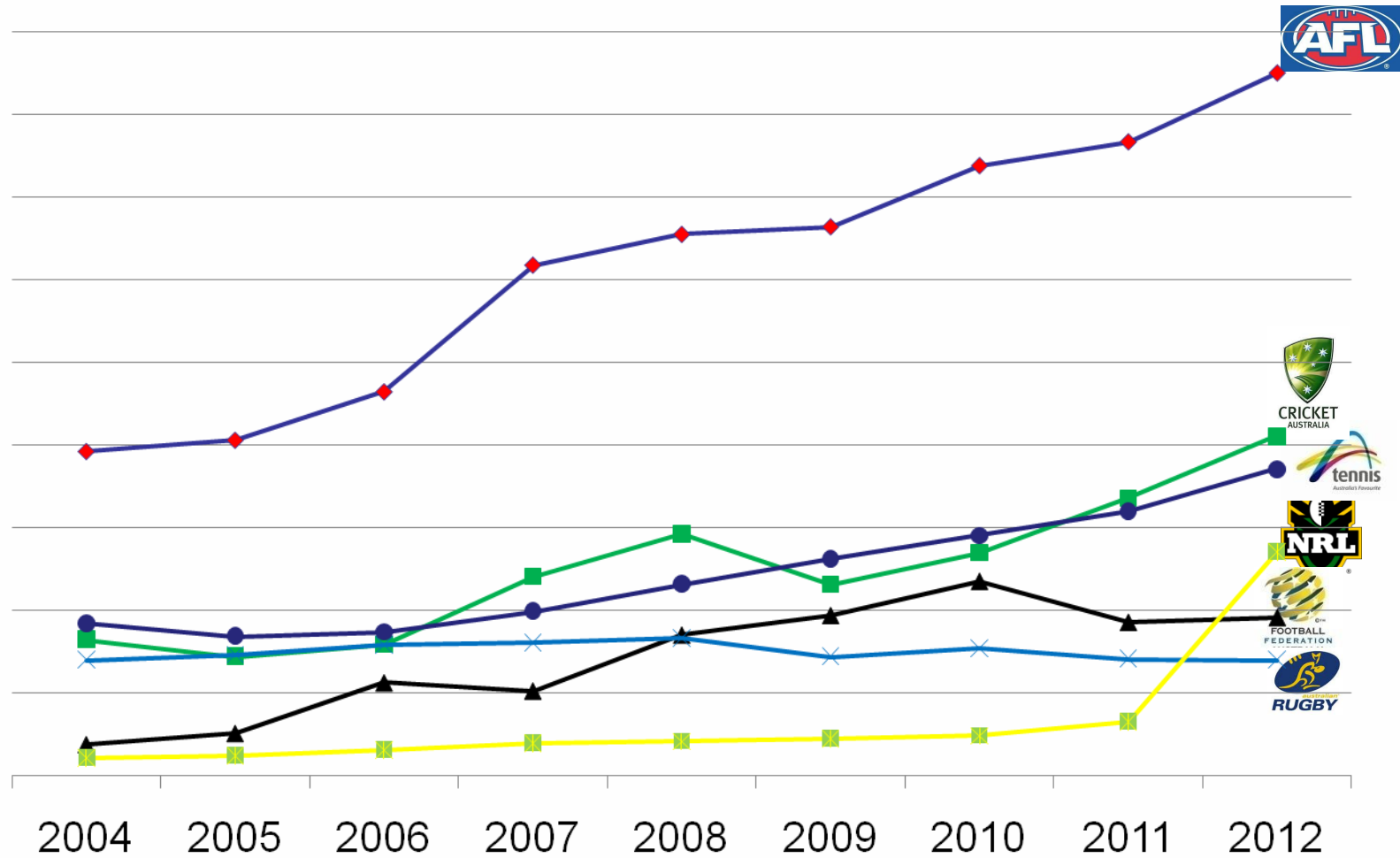


2011

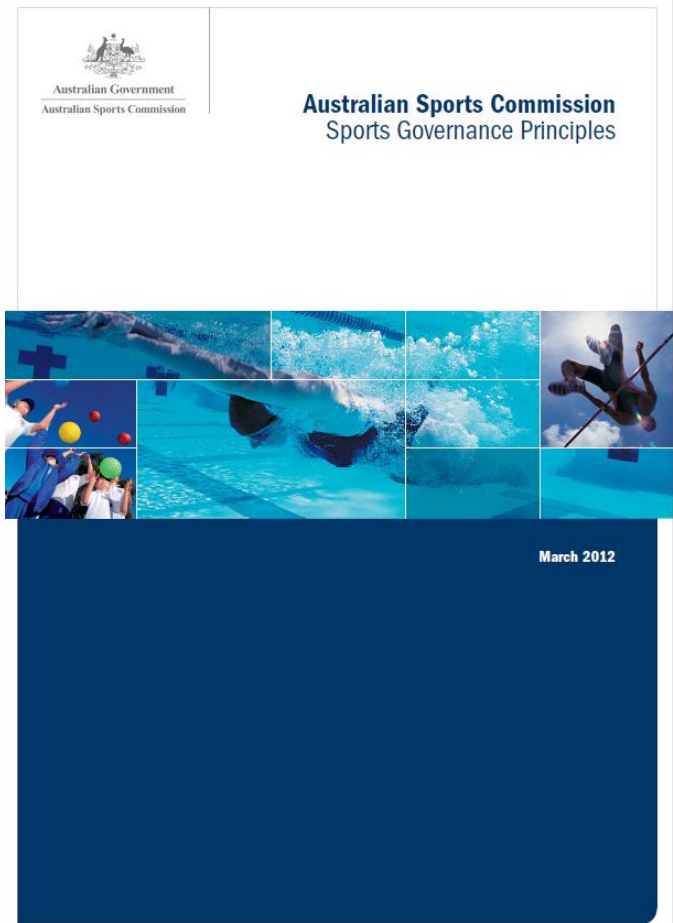


2012

# There is a correlation between those NSOs to adopt independent boards and increased revenue



# The revised Sports Governance Principles put good governance back on the agenda



Principle 1: Board composition, roles and powers

Principle 2: Board processes

Principle 3: Governance systems

Principle 4: Board reporting and performance

Principle 5: Stakeholder relationship and reporting

Principle 6: Ethical and responsible decision making

**The revised Sports Governance Principles focus on setting and monitoring strategic direction, and developing skill-based boards.**

- Board elected Chair (1.6)
- Nomination Committee (3.9)
- Non-financial reporting (4.4)
- Stakeholders (5)



## NSOs should adopt “if not, why not?” reporting

- Where do you depart from good practice?
- Why?
- Let your stakeholders decide if that’s reasonable...



## As major revenue source, the ASC is a key stakeholder

- Make decisions based on risk to investment
- Does the NSO's governance pose a risk to investment?

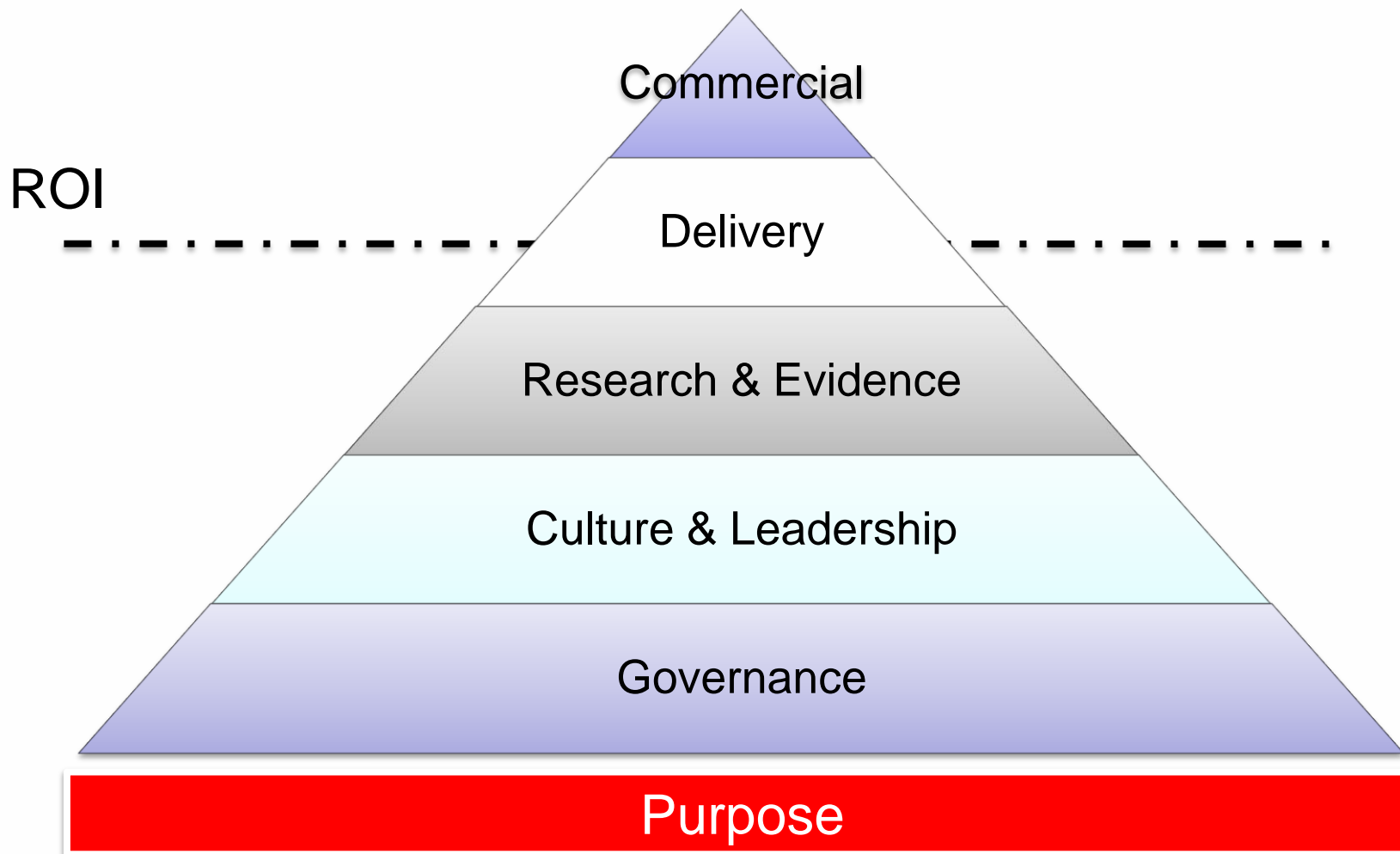
## To help mitigate risk, mandatory governance standards have been introduced

- Non negotiable
- Initially for 7 highest funded NSOs (risk 20% cut)
- Focus on:
  - Structure
  - Behaviour
  - Reporting

# The Principles remain the guide to good practice

- Use them
- If not, why not?

# More important than government funding, good governance promotes alignment, agility and commercial revenue growth





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# WHAT ARE THE CHALLENGES?



# The Australian market place

- Competitive market with over 16 branded and promoted junior sport products
- Increased access to technology that is driving awareness, business modelling and training of deliverers
- Changing delivery models such as:
  - 3<sup>rd</sup> party provider
  - Professional deliverers
  - Targeted and branded products
- Shift towards offering *pay-to-play* programs and products to address declines in *Club Memberships*
- A shift to commercial partnerships rather than traditional sponsorship by national and international companies i.e. co-branding and marketing
- Governance reforms across sport enabling growth, national delivery and investment



# Crowded Australian Market

## Australian broadcast market

- 4 Football codes
- 13+ Domestic codes
- 16+ International
- AFL 6+ million spectators

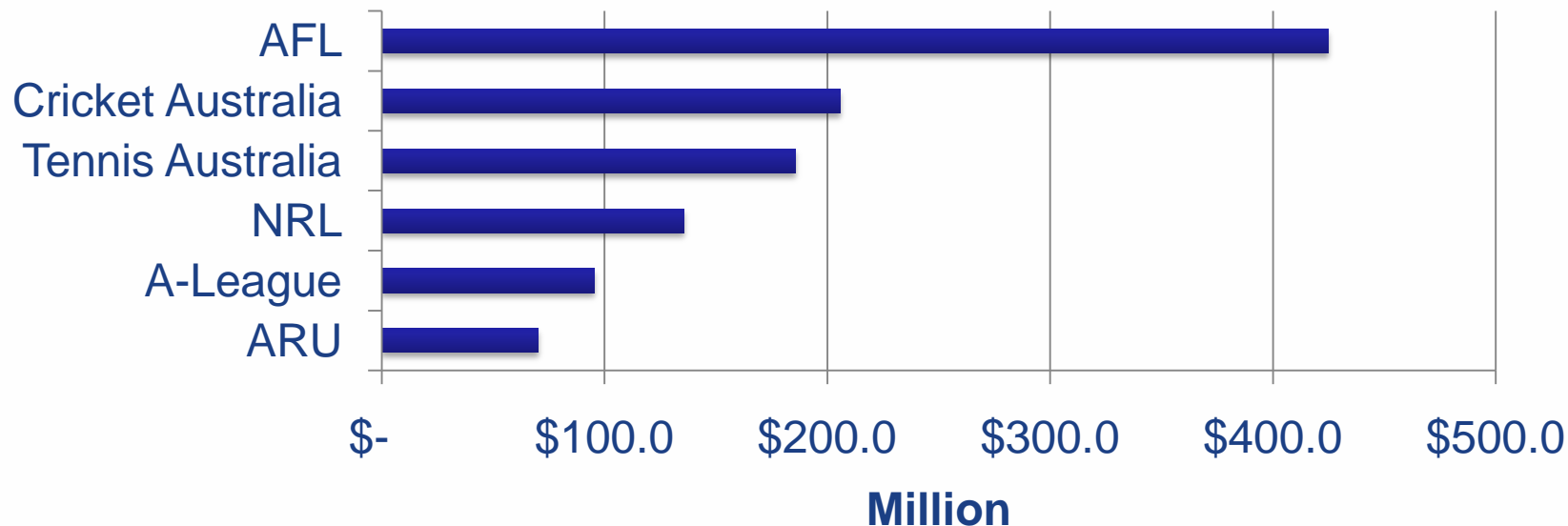
## Australian sport market

- 75+ sports offered to the community
- 20+ targeted Junior engagement products



# Big getting bigger

## 2012 Revenue



**AFL+ARL+ARU**  
Est. \$646.6m 2013

**Supporting industry**  
\$2.6 Billion boost  
2013

**Sport Betting**  
\$325m 2013

Source: IBISWorld report



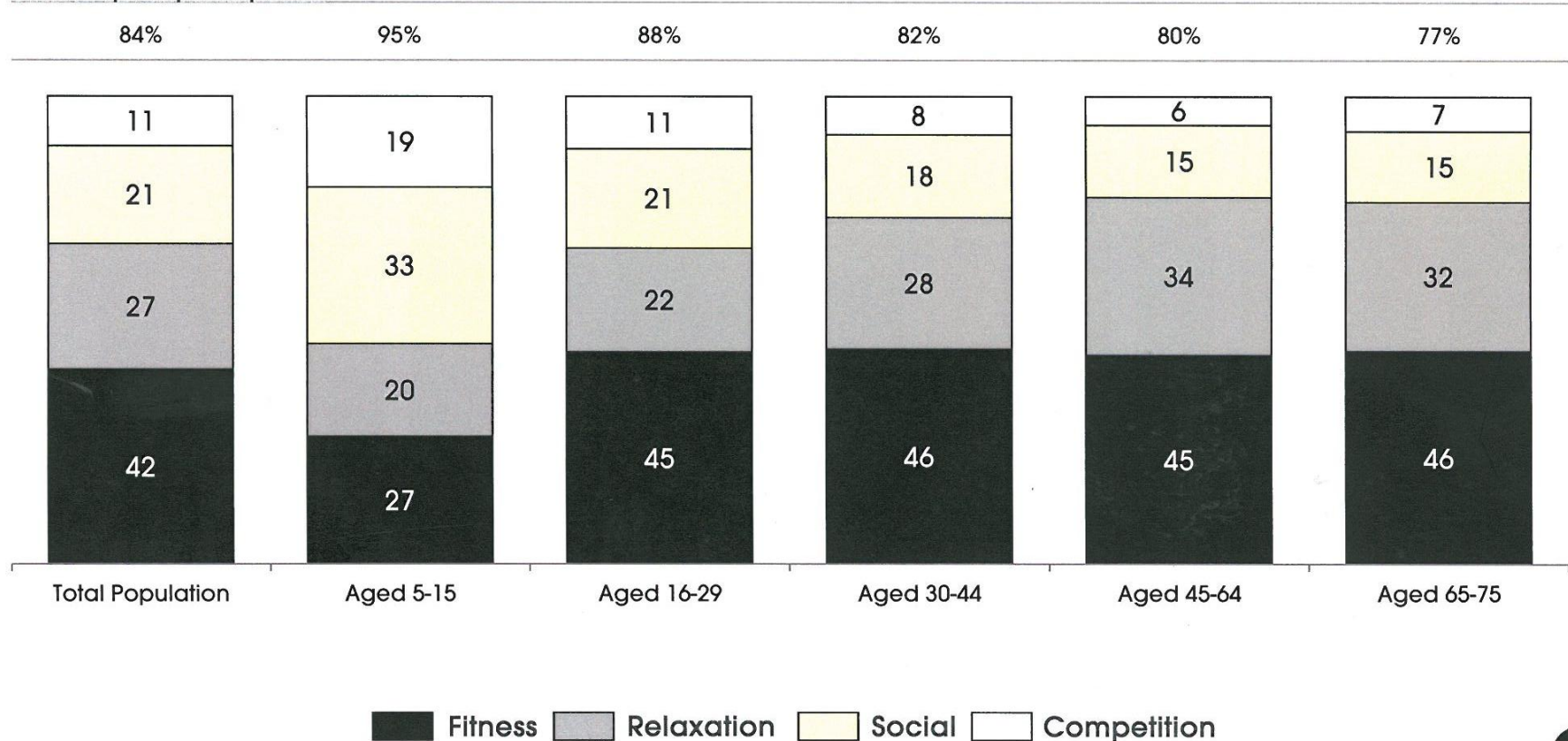


# CSIRO Megatrends

- **A Perfect Fit** - Personalised sport for health and fitness
- **From Extreme to Mainstream** - The rise of lifestyle sports
- **More than Sport** - The attainment of health, community and overseas aid objectives via sport
- **Everybody's Game** - Demographic, generational and cultural change
- **New Wealth, New Talent** - Economic growth and sports development in Asia
- **Tracksuits to Business Suits** - Market pressures and new business models

# Motivation to Participate

## Current sports participation



Q. How important are each of these things to why participate in each of these sports?

Base: Total Participate in Sport: n=9,247

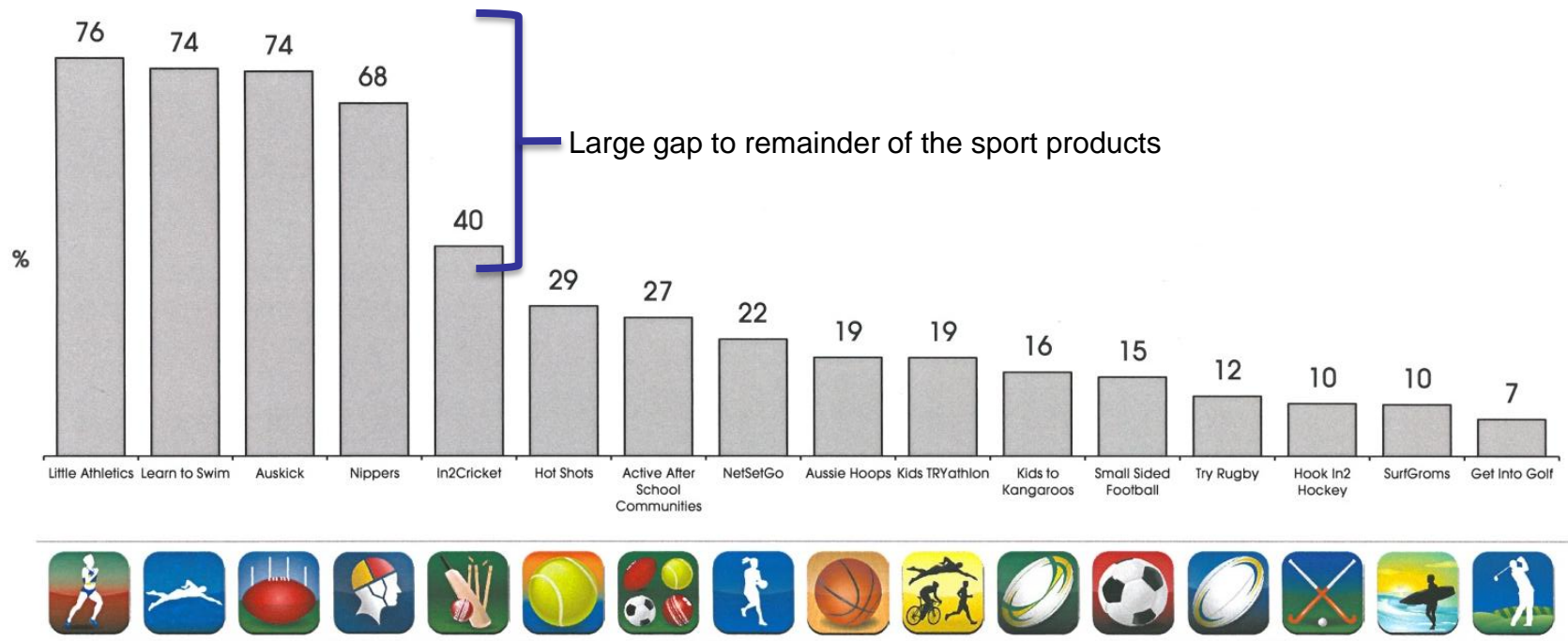


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# Awareness of Products

## Awareness of Grassroots Programs

(% Adults with Children Aged 5-15)





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# Population Growth



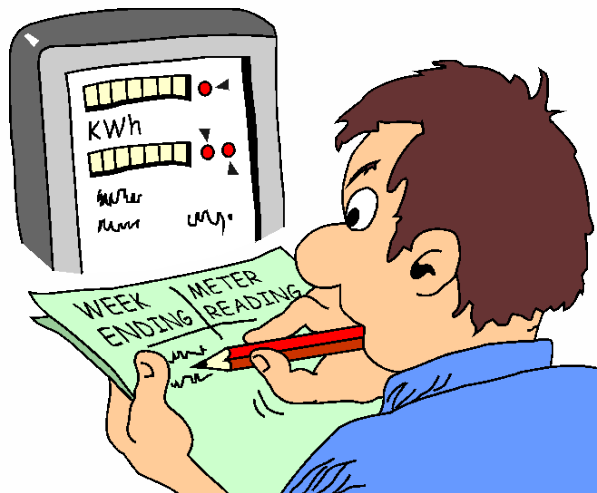
# Technology Share



Watch



Consume



Use



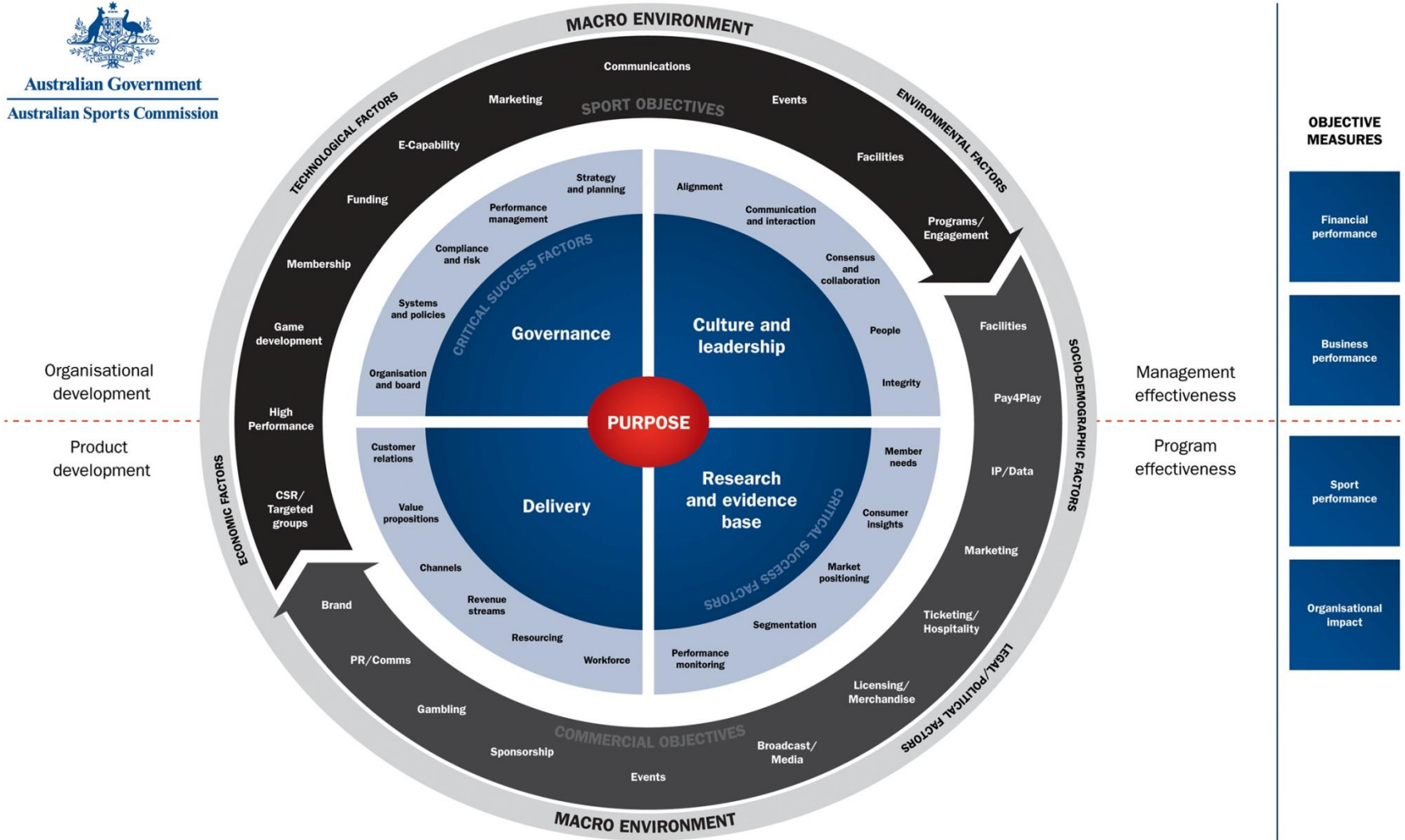




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# New and developing







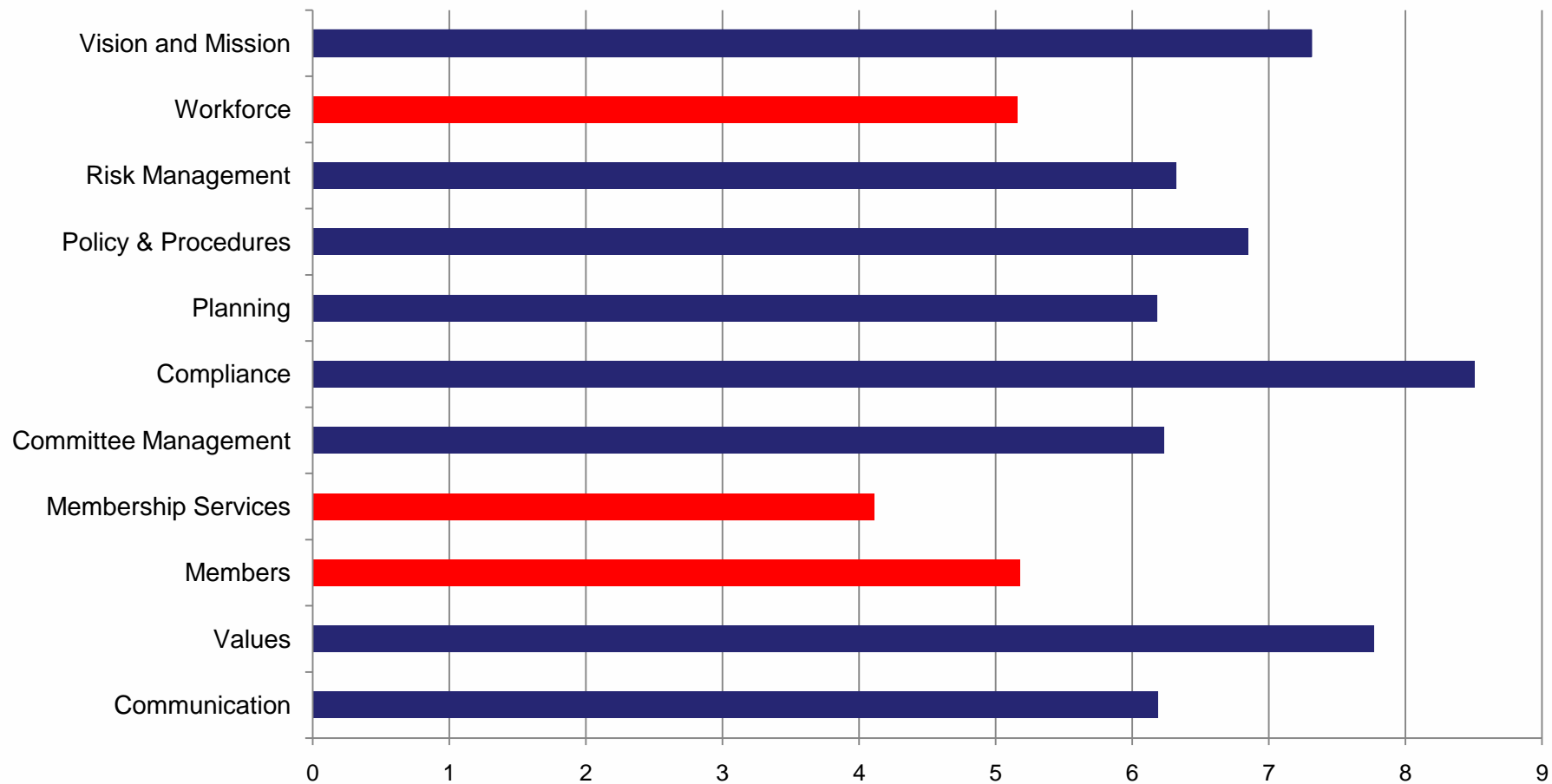


# Club Health Check

Incorporated: sub committees report to a board	Incorporated: with one organising committee	Unincorporated
532	1182	203

Total - 1917

# Critical Success Factor Results



# Bowls Australia case study

- 16 Community Development Officers (CDOs)
  - Metro and Regional areas Australia wide
- Currently conducted 1,023 assessments