



10 May 2006

**TO:**

Geoff Adam, President, Tuggeranong Vikings Rugby Union Club  
Rod Whithear, President, Uni-Norths Owls Rugby Club  
Peter Budworth, President, Western District Rugby Union Football Club  
Brian Eagles, President, Queanbeyan Rugby Football Club  
Tom Elliott, President, Gungahlin Eagles Rugby Club  
Brian Paule, President, Canberra Royals Rugby Club  
Gordon Scott, President, Eastern Suburbs Rugby Club

Dear Presidents

**Re: Stakeholder workshop on a new elite rugby competition in Australia**

As you may be aware, a three-day workshop will be taking place from 29 to 31 May 2006 inclusive, focusing on the development of a new, broad based rugby competition for Australia from 2007.

The purpose of this letter is to provide your Club with some important background information related to the event.

**A. Overview**

The event is being run by external facilitators Capgemini, and involves a unique approach known as the Accelerated Solutions Environment (ASE) DesignShop. It will take place in Capgemini's Sydney office. An overview of the ASE process is included at Attachment 1.

The event will involve 70 stakeholders, selected by the Sponsor Team on the basis of the contribution by those individuals – and the organisations they represent – to the development of elite rugby players in Australia, and in recognition of their knowledge of the game at the elite level.

The stakeholders comprise representatives of:

- The Rugby Unions in Australia engaged in professional Rugby – the ARU, NSWRU, QRU, ACTRU and RugbyWA
- The Rugby Union Players Association (RUPA)
- Victorian Rugby Union and South Australian Rugby Union
- Each of the NSW and Queensland Premier Rugby Clubs, as well as the Canberra Vikings, including coaching staff
- Current contracted players
- Current non-contracted players
- NSW and Queensland Country Rugby Unions
- Independent invitees, with strong understanding of elite rugby in Australia and its competitor Unions

## B. Background to the workshop

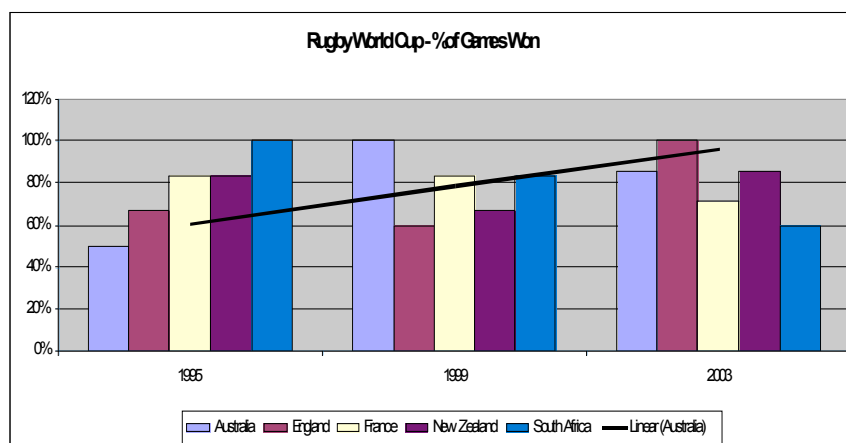
Briefly by way of background, the following provides an overview of the factors leading to this event.

- On many occasions during the last ten years – and indeed before that time, Australian Rugby administrators have sought to agree a competitions structure to optimise the development of elite players.
- Various initiatives have been trialled during the last decade, an example of which is the Ricoh Cup, a competition between the (then) three Australian Super 12 teams staged for two years in September 1999 and 2000.
- Indeed the investment of additional funding into senior club rugby to create Premier Rugby in NSW and Queensland in 2002 was an attempt to increase the standard of that competition in recognition of the increasing gap emerging between Super Rugby and the next tier of competition.
- Most recently, the ARU and the four Super 14 Member Unions agreed that a professional competition bridging Premier Rugby and Super 14 was vital in the best interests of preparing for RWC 2007. The Australian Provincial Competition will be staged in 2006 to meet that need. The competition will involve Australia's four Super 14 teams playing in a home and away series with a final in September-October 2006. This agreement was reached only on the basis that an independent consultative process be undertaken to determine the future composition of an elite competition beyond 2006.
- After further discussion between ARU and NSWRU it was agreed that Capgemini be appointed to facilitate a workshop involving representatives of all organisations with a key stake in the development of elite players.

## C. What need exists for an elite domestic rugby competition?

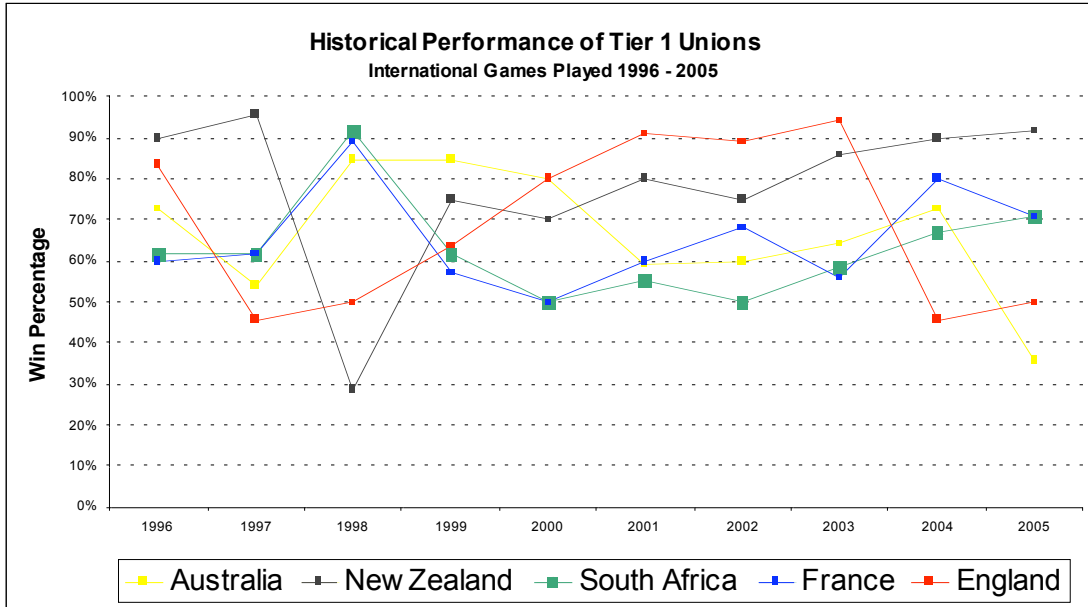
There is much debate surrounding the need for an elite domestic rugby competition.

- On the one hand, Australia has consistently been ranked in the top 4 or 5 Rugby nations in the world during the last ten years and has the strongest record of all nations in World Cup success, and seems to time peak performances well.



Source: IRB

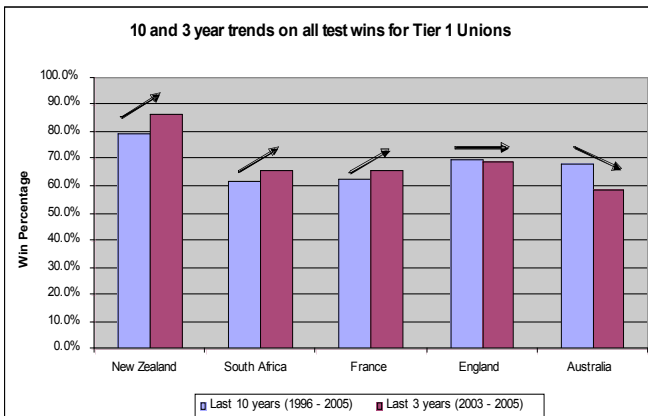
- Combining World Cup with all other international games, however, Australia's performance has not been so impressive, as indicated by the following graphic which shows win percentages for all international games played in the last ten years by the top 5 Unions. It is apparent that Australia's relative success of the late 1990s is eroding, while that of other competitor Unions, in particular that of Australia's SANZAR partners New Zealand and South Africa, is on the rise.



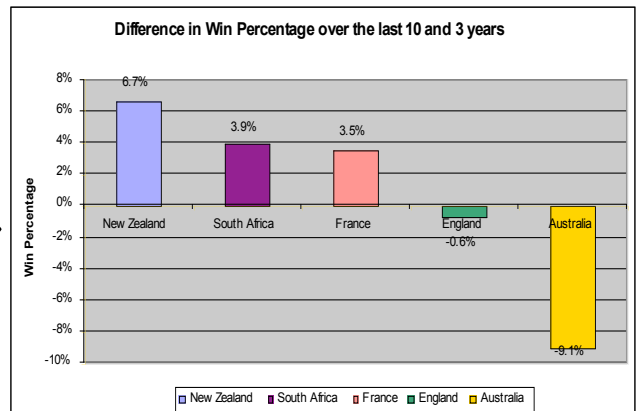
Source: IRB

- Results in the last three years are particularly worrying. The following graphic on the left below demonstrates the percentage of wins in international games for the last ten years (in blue) compared to wins during for the last three years (in maroon) and indicates that of the top five Unions<sup>1</sup>, Australia is the only Union experiencing a significant downward trend.

The graphic on the right depicts the variance in win ratio comparing three vs. ten year percentages and shows that Australia's performance has slumped significantly – by more than 9% - while three of the other Unions in the top 5 have shown steady improvement and England with little change.

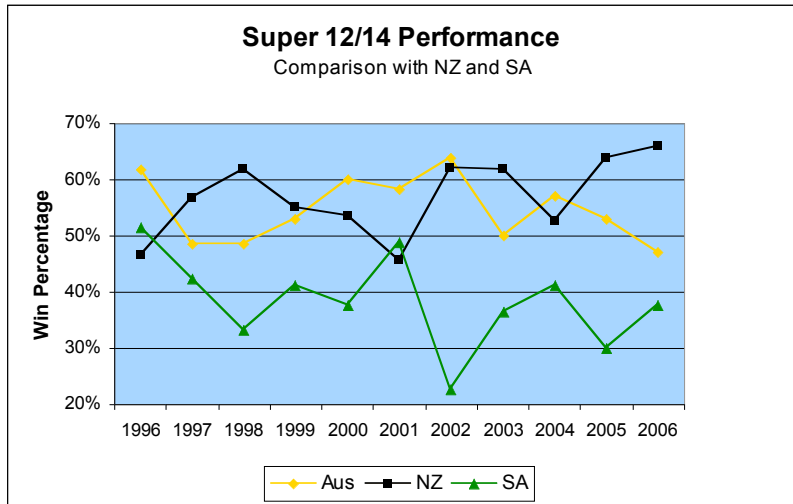


Source: IRB



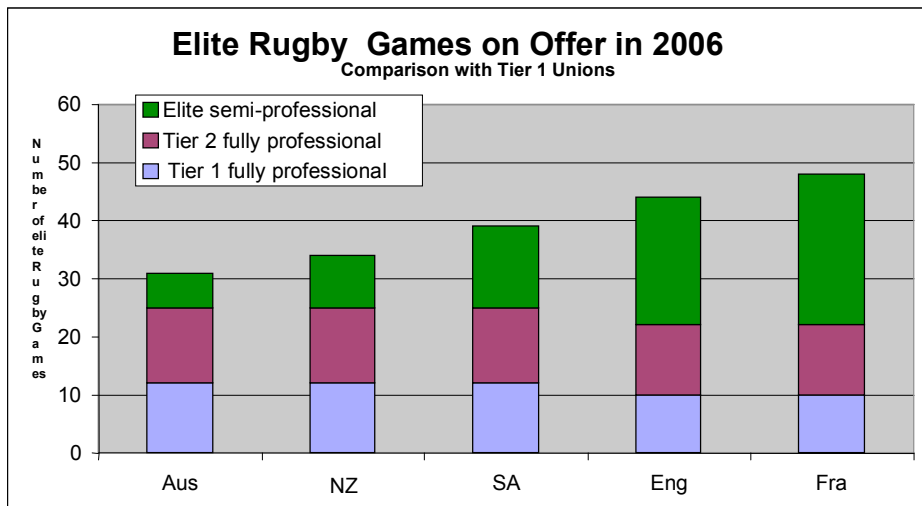
<sup>1</sup> Note: Ireland has recently moved ahead of England in IRB World Rankings to 5<sup>th</sup> position, but England has generally been in the top five in recent years.

- In the second tier – Super Rugby - the collective competitiveness of Australia’s Super Rugby teams relative to the collective New Zealand and South African sides also appears to be in decline.



Source: ARU Annual Reports

- A review of the number of elite Rugby games to which Australia’s professional rugby players are exposed, relative to those enjoyed by our major competitors, reveals a potentially significant shortcoming in our competitions structure.

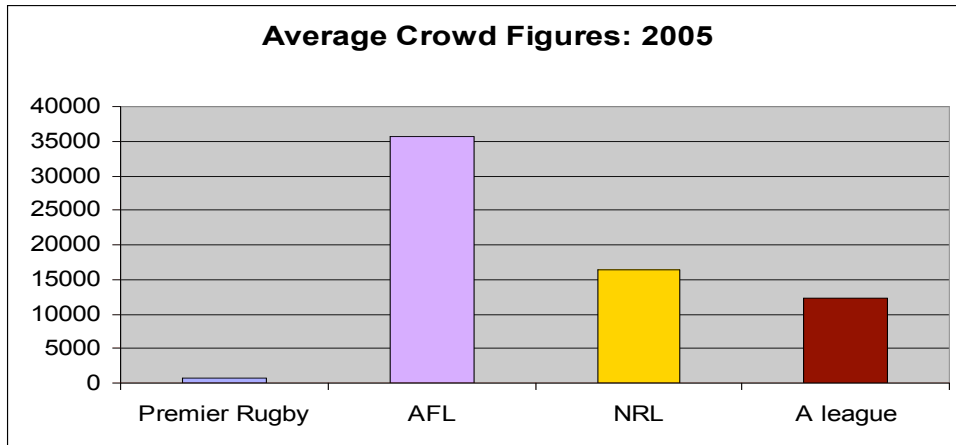


Note that for the purposes of this analysis, Tier 1 is defined as international rugby test matches, Tier 2 as international level provincial games (Super 14, Heineken Cup and European Challenge Cup) and elite semi-professional level domestic games include NPC, Currie Cup, APC, Guinness Premiership and Top 14.

- Compounding the issue in Australia is the relatively cluttered winter sports market in which we operate. While our SANZAR partners in particular enjoy relatively little competition from other codes in terms of attracting supporters and associated commercial returns, our market place is increasingly competitive, as demonstrated clearly by the “Rival Code Calendar” for 2006 shown below.

RIVAL CODE CALENDER 2006											
JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER
7 14 21 28	4 11 18 25	4 11 18 25	1 8 15 22 29	6 13 20 27	3 10 17 24	1 8 15 22 29	5 12 19 26	2 9 16 23 30	7 14 21 28	4 11 18 25	2 9 16 23 30
		SUPER 14			TESTS	TRI NATIONS				EOYT	
								APC			
						TOOHEYS NEW CUP					
				AFL SEASON				FINALS			
			NRL SEASON		NRL SEASON			FINALS			
FFA SEASON	FFA SEASON	FFA SEASON						FFA SEASON		FFA SEASON	

- And while there have been important initiatives for Rugby in Australia over the last decade (introduction of Premier Rugby in Sydney and Brisbane, expansion of Super Rugby from 12 to 14 teams, expansion of the Tri Nations Rugby series, RWC 2003 in Australia), each of the other football codes in Australia has launched major initiatives over the last ten years, enabling them to secure an increasing share of precious commercial dollars so necessary for investment in the future of the game.
  - o The Football Federation of Australia has had a much celebrated inaugural season for the A-League, stands to gain immense profile and interest from Australia’s participation in FIFA World Cup this year, and has just secured a significant broadcast rights deal with Foxtel equivalent to \$120 million over seven years.
  - o The NRL has enjoyed growing crowd numbers and will expand to a 16-team competition in 2007 with teams in four Australian states/territories plus New Zealand. The series boasts wins by 7 different premiers in the 8 years of the NRL competition since the Super League-driven split competition of 1997.
  - o AFL has arguably achieved its national penetration ambitions and staged a grand final in 2005 between two non-Victorian teams. Indeed in the last 10 years there have been only 2 premiers from Victoria. The \$780 million television rights deal secured earlier this year is the biggest sport broadcasting deal in Australian history.
  
- In terms of Rugby’s profile during the traditional “winter sport” season it is also worth noting that, following the Super 14 competition in late May, and excluding the six test matches in Australia during the June - August window (noting that a maximum of two matches generally take place in any city), Rugby’s flagship events are the Premier Rugby competitions in NSW and Queensland. In terms of relative average crowd numbers with competitor codes, the following graphic demonstrates that Rugby is achieving very low penetration:



Source: AFL, NRL and A-League as published in respective websites; Premier Rugby from available data provided by NSWRU and QRU

- In a commercial sense, Rugby is currently in the first year of a five-year broadcast deal between the SANZAR joint venture and News Limited in respect of rights broadly to all international, provincial and representative content in Australia, New Zealand, South Africa and the UK. Included in the mix were New Zealand's NPC and South Africa's Currie Cup, each of which has significant broadcast appeal in its own right.

Looking forward the SANZAR partners have agreed that in any future renegotiation post 2010, each partner will negotiate directly with broadcasters in respect of rights to domestic competitions. No broadcasting revenue has been attributed to existing Australian domestic competitions to date, and there is a considerable incentive for Australia to build a competition over the next five years to enable a position of greater strength at the next broadcast rights negotiation.

This data provides a snapshot of the circumstances giving rise to the need to examine closely the options for the Rugby competition structure in Australia, in order to enable long-term sustainable competitiveness.

The workshop will enable all stakeholders to contribute to development of a solution which best meets the needs of elite rugby players, mindful of each of these factors, and mindful equally of the impact any new competition may have on all other elements of the existing pathway.

Various "third tier" models and potential solutions have been mooted in a variety of forums over the last decade, particularly during the last year. Key to the success of this workshop will be the ability of participants to engage with open minds, without preconceived ideas or prejudices.

## D. Scope of the workshop

The scope and objectives for the workshop have been developed by the Sponsor Team, in conjunction with the independent facilitators. Currently the workshop scope is as follows, however the wording may be refined slightly over the next month leading into the workshop:

### Scope

- Development of a broad based competition which caters for succession planning and player development
- To benefit Wallabies, Super 14, players, coaches, support areas and referees

### Objectives

1. Shared understanding of SWOT of the current player pathway
2. Design the new competition specifically addressing:
  - Current and future player development
  - Player criteria
  - Process & Selection criteria for teams
  - Player eligibility/retention/attraction
3. Design the **competition structure** within the existing playing window
4. Validate the **governance model** for the competition and the clubs
5. Understand the **commercial considerations** of this new competition, including the overall financial impact on existing Rugby Inc. structure
6. Understand the **issues and risks** involved in the implementation of this competition, including the impact on current competitions

## E. Workshop format

The Capgemini Accelerated Solutions Environment was selected by the Sponsor Team on the basis of their solid track record of performance in using their accelerated business decision making methodology to achieve creative, collaborative solutions to complex problems.

The methodology involves a three stage process over the three days, broadly as follows:

- **Scan – the information gathering stage**
  - Build the foundation for a high-performance team
  - Explore and understand the facts and implications
  - Engage with industry specialists
  - Create a common language
  - Uncover critical assumptions and issues
- **Focus – the evaluation stage**
  - Conduct scenarios and simulations
  - Test and evaluate hypothesis/alternatives

- Build, combine and iterate models
- Uncover and remove barriers to change
- Clarify expectations

- **Act – the solution-building stage**

- Create group alignment and intention to act
- Make definitive decisions
- Engineer all aspects of the solution through parallel processing
- Establish detailed short-and medium-term action plans

Further information is provided in the attachment.

**F. Further information**

This is an event of great importance and significance for Rugby in Australia.

Should you have any questions regarding any aspect of the workshop or this process, please do not hesitate to contact Andrew Fagan from the Sponsor Team.

Yours sincerely,



**Andrew Fagan**

on behalf of the Event Sponsor Team comprising:

**ARU**  
Peter McGrath  
Gary Flowers

**NSWRU**  
Arvid Petersen  
Ian Ross  
Fraser Neill

**QRU**  
Robin Thomson  
Theo Psaros

**ACTRU**  
Andrew Fagan

**RugbyWA**  
Peter O'Meara

**RUPA**  
Anthony Dempsey