AUSTRALIAN PREMIER LEAGUE

FOR THE FANS

DECEMBER 2002

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1. THE FINAL FRONTIER

Soccer is the final frontier of Australian sport.

By achieving sustainable success on and off the field and, in the next 20 years, winning the FIFA World Cup, Australia would finally conquer that frontier. In so doing, soccer will uniquely enhance the rich sporting heritage and tradition that underpins Australia's powerful sense of national identity.

The establishment of an independent, quality and fully professional premier national soccer competition is fundamental to the attainment of that vision. As the game's economics are driven by club soccer and not national team schedules, it is also fundamental to the realisation of soccer's commercial potential, both in Australia and with our Asian and regional neighbours.

Most importantly, the creation of that competition is critical if the game's most important stakeholders – the fans – are to truly embrace Australian soccer.

1.1. A Lifetime Opportunity – To Create a New Quality Premier National Competition

The opportunity to create the Australian Premier League (APL) has been recognised following extensive empirical market research, which has identified an untapped market for high level soccer in Australia.[1] That research suggests that by correctly positioning, structuring and capitalising the APL, an elite national soccer competition can be created that will attract the necessary crowds, media audiences and, in turn, commercial revenues to underpin a sound business model.

The market research is consistent with the massive television ratings recently seen in Australia for the 2002 FIFA World Cup and Australia's efforts to qualify. It is also consistent with the game's enormous levels of junior participation, which see soccer's participant base of some 600,000 greatly exceed other football codes, such as the rugby codes and Australian Rules football.

The growing determination of Australians for soccer to realise its potential on and off the field recently culminated with the announcement by the Australian government of a major review into the governance, structure and management of the game. The review, to be conducted by the Australian Sports Commission (ASC), will finally see the game adopt the standards of professional sports administration for which Australia is internationally renowned.

With the ASC's report to be handed down in May/June 2003, it is now opportune to commence the work on the establishment of a new and elite national competition that will play a fundamental role in tapping the identified market for high level soccer in Australia.

1.2. Australian Premier League

The Australian Premier League will be a totally new premier national soccer competition initially consisting of 10 APL Teams to be owned and fielded by APL Club Shareholders.

Unlike the current National Soccer League of Australia (NSL), the Australian Premier League will be established as a well-capitalised business. This structure will ensure that the game is visible, of high quality, well resourced and extremely well managed. The APL will be governed by a highly able and respected group of independent commissioners who will constitute the APL Board of Directors and be known as the APL Commission. Like the most successful professional team sports in the United States and the Australian Football League, the APL Commission will be vested with the power to act in the best interests of the game without regard to club politics.

Indeed, as a start up venture, the APL has embraced the opportunity to adopt an optimal League structure that will be the envy of traditional professional team sports. Every decision regarding the APL model has been made objectively and is based on extensive and empirical analysis of the Australian market place and the soccer industry throughout the world.

Each APL Team will enjoy exclusive territorial rights for marketing and game development purposes, which will be contractually protected. It is intended for the APL Commission to appoint the 10 APL Teams following a public Expressions of Interest process.

The APL Teams will be located as follows:

- one in each of Perth, Adelaide and Brisbane;
- 2 in Melbourne;
- 3 in Sydney; and
- 2 further will be selected from other markets in Australia or New Zealand, based on business merit.

The APL Teams will not be representative of any particular ethnic group and will draw their supporter bases from the broader Australian community – estimated at around 6 million people by the 2002 Sweeney Sports Report.

Every APL Team will have strong ties with the grass roots communities they represent and serve. The various APL Teams will be required to run and manage children's clinics, elite programs for talented children and coaching courses, as part of their geographic responsibilities and marketing initiatives. The best coaches and the highest profile players will play an integral part in delivering these programs. Furthermore, the effectiveness of these programs will be enhanced through strategic relationships between the APL, each APL Team, Soccer Australia and State and Territory Soccer Associations, which will be enshrined into the APL's constitutional structure.

The APL Teams will be required to play their home and away matches at specially prepared boutique stadiums with capacities of between 10,000 to 15,000 people. While this is designed to create an exciting, "close to the action" atmosphere, the APL will also ensure that the stadiums meet the high expectations of the sporting public.

[1] Open Mind (2001), PFA Management Limited (2002)

To this end comfort, safety and access to good quality, reasonably priced food and beverages will be key deliverables of the various APL Teams at each stadium where the APL is played. Supporters will be given the choice between reserved seating in the grandstands or budget priced admission in the terraces – for those that prefer their soccer in this form. Each stadium will also be required to comfortably accommodate the sponsors and corporate partners of the League and each APL Team, to provide excellent networking opportunities and to maximise each partner's commercial investment.

It is envisaged that the APL will attract the top 60 to 65% of the players currently playing in the NSL, together with leading players presently within Australia's well credentialed elite player development system. In addition, the APL will assist all APL Teams in recruiting 50 Australian soccer players presently pursuing their playing careers in Europe. A collective bargaining agreement with the Australian Professional Footballers' Association (PFA) will fund player education, welfare and retirement programs to maximise the attractiveness of the Australian playing career path.

The strategic location of each APL Team, coupled with strict financial policies managed by the League, will ensure the relative equality in the spending power of each Team. To further ensure that all founding APL Teams have access to quality players and an even competition is guaranteed from the beginning, the collective bargaining agreement with the PFA will also include a salary cap.

The APL Season will mainly run during the summer months and coincide with the European leagues. After a shortened inaugural season, the APL Season is planned to run over 36 rounds with each Team playing each other 4 times. The top half of the APL Premiership table will then compete for the APL Premiership over a 4-week finals series, culminating in April/May with the Australian Premier League Grand Final, which will be the highlight of the Australian soccer calendar.

The desired kick-off date for the inaugural APL playing season is November 2004.

2. APL STRATEGY

2.1. The APL "5 Pillars" Strategy

The Australian Premier League believes that a new national soccer competition will succeed if built upon "5 Pillars".

Figure 2.1 – APL "5 Pillars" Strategy

Quality	Atmosphere	Community	Local Brands	Visibility

(a) The 1st Pillar – Quality

On the Park

The Australian Premier League will work strategically with all APL Teams to ensure that the playing standards are of a world class quality standard . In particular, the new competition aims to attract:

- 50 Australians presently playing in Europe. Many of these players have represented Australia at various levels, and possess the skills, fitness and tactical astuteness to demonstratively raise the playing standard whilst ensuring that the competition relates closely to the hearts and minds of the soccer supporters that will form the APL fan base; and
- the top 60 to 65% of players presently playing in the National Soccer League, as well as Australia's elite development players. Many possess the ability to pursue playing careers at the highest levels in Europe, whilst contributing to the playing standard of the APL. They are, indeed, Australia's "stars of tomorrow".

On Television

The initial emphasis in discussions with potential APL broadcast/media partners will be to ensure the quality of the television product, as opposed to seeking to immediately maximise rights fees. This will involve:

- free to air television exposure, including quality timeslots;
- high quality commentary and production values, to capture the quality and emotion of APL match day; and
- promotional support.

(b) The 2nd Pillar – Atmosphere

Boutique stadiums, including the targeting of young adults predisposed to soccer (mainly males, aged 18 – 24) will promote an atmosphere in APL stadiums on match day that only soccer can create.

(c) The 3rd Pillar – Community

At a time when many elite sports are perceived to be distancing themselves from the very communities that built them, the APL (through the APL Team brands) will embrace their local communities through:

- grass roots campaigns, including through schools featuring star APL coaches and players; and
- a commitment to local social issues, especially those facing young people and children.

(d) The 4th Pillar – Local Brands

It is the power of the fan/club relationship that lies at the heart of the world's great soccer leagues.

Similarly, strong local brands will be the hallmark of the APL. Each APL Team brand will be defined by its own distinct personality and geography. Moreover, the Team brands will undertake to establish strong and meaningful relationships with their respective local marketplaces. Importantly, this will not be left to the discretion of the individual APL Team.

In conjunction with the local soccer association, each APL Team will have as a matter of commercial obligation a substantial and ongoing involvement in grass roots activities in their designated areas aimed at:

- exposing the game in a relevant and exciting manner to the greatest number of the school aged children, with particular emphasis on:
  - skill (as opposed to physique and physical contact);
  - fair play; and
  - unisex;
- giving their local communities ready and on-going access to elite players and coaches; and
- emotionally pre-disposing these children (and their families) to their local APL Team brand.

(e) The 5th Pillar – Visibility

The 5th Pillar, visibility, will follow the successful execution of each of these strategic pillars by a high quality, centralised and well-resourced administration. In addition, the APL will invest strategically in targeted marketing, promotion and advertising initiatives, to create high levels of awareness in each of the key target markets. The APL's free to air broadcast/media partner will, of course, also play an important role.

2.2. Quantitative Support for the APL "5 Pillars" Strategy

Comprehensive quantitative research confirms the fundamental importance of each of the "5 Pillars". In particular:

- Australians interested in soccer are not attending NSL matches for a variety of reasons. By far, the main reasons are that they have "never thought about it" or because of a lack of publicity;
- the standard of the game and crowd atmosphere are the key attractions of modern sport; and
- of the many APL features, the most attractive are the provision of clinics and training camps (that is, a strong grass roots and community presence), effective advertising and a strong media presence.[2]

[2]Open Mind (2001). Base: those interested in soccer

2.3. Perth Glory – a Living Model of the "5 Pillars" Strategy

Comprehensive market research clearly confirms that the most popular NSL club is Perth Glory, which accounts for 32% of all NSL supporters in Australia's 5 key capital city markets.[3]

Consistent with this, Perth Glory stands alone as the NSL leader in terms of crowds, television audiences, sponsorship, broadcast/media coverage, player payments and, increasingly, on field success.[4]

Figure 2.2 illustrates the reasons why soccer fans do not attend the National Soccer League, nationally and in Perth. It confirms that Perth Glory has broadly delivered the APL "5 Pillars" Strategy.

Figure 2.2 – Reasons for Not Attending National Soccer League, Nationally and in Perth (%)[5]

Reason	National	Perth (NSL Rank)
Lack of publicity	53	36 (1)
Never thought about it	40	32 (1)
Low standard of soccer	26	16 (1)
Poor management of competition	23	10 (1)
No atmosphere	19	6 (1)
Restricted to ethnic background supporters	18	8 (1)

One of the great opportunities for the APL is that, in delivering the APL "5 Pillars" Strategy, interest in overseas soccer will feed interest in the Australian Premier League. Indeed, the experience of Perth Glory suggests that where the local product is consistent with the APL model, local team support can substantially exceed support for overseas teams, contradicting the widely held view that interest in overseas soccer compromises the game's commercial development in Australia.

Figure 2.3 shows that Perth Glory has more support in Perth than the major European clubs, despite Perth's population having the highest proportion of migrants from the United Kingdom and Europe than all of Australia's key markets, and a time zone more conducive to viewing overseas teams live on television.

Figure 2.3 – NSL vs. Overseas Team Support[6]

%	Total (956)	Melb (250)	Syd (254)	Perth (150)	Adel (150)	Bris (152)
Support Professional Team – World	53%	58%	50%	53%	56%	44%
Support NSL Team	33%	18%	27%	68%	32%	33%

2.4. Future Opportunities

(a) International Strategy

An international strategy is also an important aspect of the development of the Australian Premier League. It is conceived that at club level the leading APL Teams could play in a regional competition similar in construct to the UEFA Champions League in Europe. Indeed, the Asian Football Confederation has recently launched the Asian Champions League.

Such a competition could also involve teams from (possibly) South Africa, Asia, Australia and South America. In anticipation of such a competition, the Australian Premier League will own the name "Indian Pacific Champions League".

An important consideration in this strategy is the decision by many multinational companies to view Australia as a springboard to the east. However, it is recognised that a sustainable international strategy is dependent upon the perceived and actual strength of the APL, as it is imperative that APL Team brands must be built from a position of domestic strength and not from a position of weakness and indifference.

Given the medium term nature of this strategy, an immediate priority of the APL will be to secure meaningful and highly credentialed regional competition for APL Teams on an annual basis.

(b) APL Expansion

By initially constructing the Australian Premier League to consist of 10 APL Teams, the opportunity will potentially exist for the number of participating Club Shareholders to be expanded in the medium term. Subject only to the exclusive territorial rights of each Club Shareholder, this will be a matter for the APL Commission.

[3] Open Mind (2001).
[4] Perth Glory won the 1999/2000 and 2001/2002 NSL Premierships, the latter by a record margin
[5] Open Mind (2001). Base: those interested in soccer that have not attended an NSL match
[6] Open Mind (2001). Base: those interested in soccer

3. THE MARKET FOR SOCCER IN AUSTRALIA

3.1. Critical Mass

Measured in terms of interest, soccer is Australia's number 2 football code. The 2002 Sweeney Sports Report reveals that 44% of Australians aged between 16 and 65 are "interested" in soccer, a potential market of around 6 million. This ranks only behind Australian football (51%), and ahead of rugby league (43%) and rugby union (38%).

Sweeney further reports that interest in soccer is increasing, up from 38% in 2000 and 39% in 2001. Comprehensive market research reveals that a substantial proportion of those "interested" in Australian soccer can be stimulated into supporting the Australian Premier League.[7]

3.2. A National Television Audience

Soccer's popularity in Australia reflects its status as the world's number one game.

The world game can be a powerful television product. 1.99 million Australians describe themselves as viewers of soccer on television, 774,000 of these "every time" it is on.[8] Unlike the other football codes, which have either a northern or southern bias, soccer is uniquely positioned to be a viable television product in all 5 of Australia's major markets.

Figure 3.1 – Watch Soccer on Television, ('000's)[9]

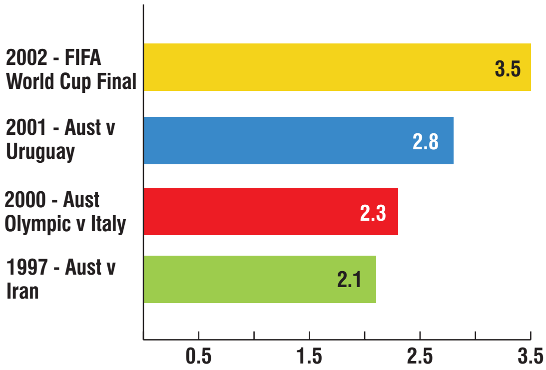
City	Every time	Occasionally	Total
Sydney	342	426	768
Melbourne	192	349	541
Adelaide	69	127	196
Brisbane	86	147	233
Perth	85	164	249
Total	**774**	**1,213**	**1,990**

Most recently, Australian television ratings for the 2002 FIFA World Cup also confirm the attractiveness of soccer to Australian audiences, and the existence of a national audience of approximately 3.5 million. In addition, official Oztam ratings since 1997 show that, at strength, the Socceroos are a media property that is the equivalent of AFL / NRL Grand Final Series and Wallaby Test Matches.

Figure 3.2 – Peak Ratings by Market, Key Sports Events 2002[10]

Event	Syd '000's	Melb '000's	Bris '000's	Adel '000's	Perth '000's	Total '000's
FIFA World Cup Final	1,105 (1)	1,019 (2)	570 (2)	334 (2)	446 (1)	3,474 (1)
AFL Grand Final	525 (4)	1,514 (1)	525 (3)	490 (1)	371 (2)	3,425 (2)
NRL Grand Final	1,102 (2)	535 (3)	709 (1)	45 (4)	47 (4)	2,438 (3)
ARU Bled Cup	785 (3)	290 (4)	405 (4)	108 (3)	156 (3)	1,744 (4)

Figure 3.3 – Peak Television Audiences, Australian National Soccer Teams and 2002 FIFA World Cup Final (millions)[11]



[7] PFA Management Limited (2002).
[8] Roy Morgan Asteroid (June/September Quarter, 2001). All figures are 16+.
[9] Roy Morgan Asteroid (June/September Quarter, 2001). All figures are 16+
[10] Official Oztam Ratings
[11] Official Oztam Ratings

3.3. Participation

Measured in terms of participation, soccer is Australia's leading sport among children, and enjoys high participation rates throughout each of Australia's key markets.

Figure 3.4 – Total Registered Players for Boys Aged 5 to 14[12]

Sport	Males ('000's)
Soccer[13]	265
AFL	170
Cricket (outdoor)	133
Tennis	125
Basketball	120
Rugby League	93
Athletics	53
Rugby Union	36

Figure 3.5 – Total Soccer Players, ('000's)[14]

City	Regular	Occasional	Total
Sydney	178	147	325
Melbourne	51	105	156
Adelaide	26	32	58
Brisbane	33	50	88
Perth	25	49	74
Total	**313**	**383**	**696**

Soccer's position of market leadership as a participant sport has been achieved without the game being able to make a commensurate investment in grass roots and game development as other sports, particularly Australian football, cricket and rugby union.

The APL "Pillar" of community requires a substantial investment to be made by the APL in game development, to tap this substantial fan base and build an emotional pathway for each child playing the game to their local APL Team.

[12] Source: ABS, Australian Football Census (2001)
[13] Soccer Australia Census 2001 shows 313,000 registered participants nationally.
[14] Roy Morgan Asteroid (June/September Quarter, 2001)

4. THE MARKET FOR THE AUSTRALIAN PREMIER LEAGUE

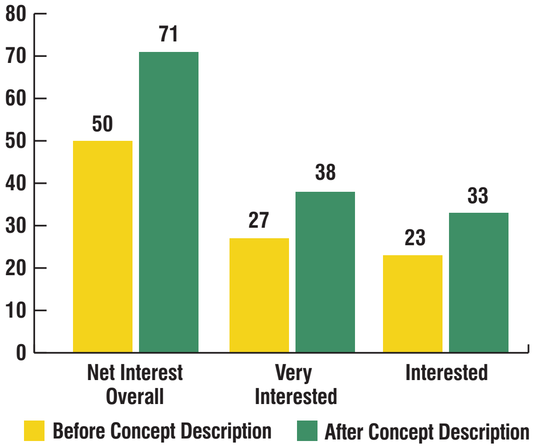
4.1. Overview

Comprehensive market research shows that the Australian Premier League will achieve high levels of support amongst those "interested" in soccer. Of those "interested" in soccer, research tells us:

- 50% are "interested in attending a new competition with new teams", even before being exposed to the details of the Australian Premier League as described in this document;
- 71% are interested after being exposed to those details;
- 38% of those "interested" in soccer are "very interested" in attending APL matches;
- there are even higher levels of interest amongst current NSL supporters (86% interest after concept description, 67% of who are very interested);
- interest is strong across all life stages; and
- interest is strong in all 5 key markets.[15]

Figure 4.1 shows the positive response those interested in soccer will have in **attending** a new national competition with new teams.

Figure 4.1 – Interest in APL Concept (%)[16]



Sweeney's 2002 figure that 44% of people between 16 and 65 are interested in soccer suggests that the potential market for the APL is around 2.3 million people.

As illustrated by Figure 4.2, interest is strong in all markets, and strongest in Perth, despite the relative success of NSL Club Perth Glory.

Figure 4.2 – Interest in APL Concept by State (%)[17]

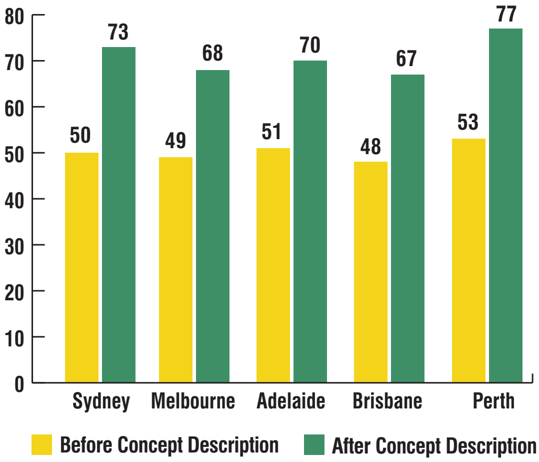
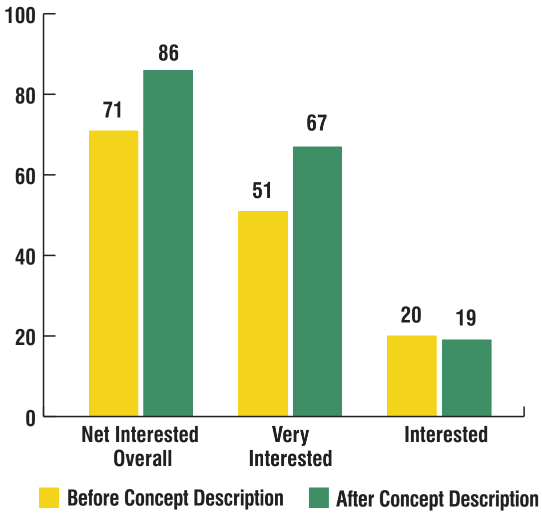


Figure 4.3 demonstrates the high levels of interest amongst existing NSL supporters in attending the new competition.

Figure 4.3 – Interest in APL Concept – Existing NSL Supporters (%)[18]



[15] Open Mind (2001)
[16] Open Mind (2001)
[17] Open Mind (2001)
[18] Open Mind (2001)

4.2. What the Market Can Sustain

(a) National Summary

There is no "magic number" as far as the size of the APL is concerned.

The decision to initially structure the Australian Premier League with 10 APL Teams has been determined having regard to the capacity of the key markets within Australia to support a team of the requisite quality and based upon empirical market research.

Figure 3.1 above identifies around 2 million Australians 16 years of age and above to be watchers of soccer on television in the 5 capital city markets. This equates with a potential customer base of around 250,000 for each of the 8 APL Teams to be located in those markets, a figure also verified through different measures in the empirical market research.[19]

The APL believes a customer base of 250,000 is capable of commercially supporting an APL Team of the requisite quality.

For example, this analysis provides anecdotal confidence about the Newcastle region's capacity to support an APL Team. That region boasts a population of 750,000, as well as a strong soccer heritage and culture. Accordingly, it is expected that the requisite customer base of 250,000 will exist because of a higher than national average interest in the game.

(b) Equality of Commercial and Sporting Opportunity

In determining the location of each APL Team, a conscious effort has been made to ensure all APL Teams have access to relatively similar participant and customer bases. Figure 4.3 shows the minimum desired participant and customer base for an APL Team.

Figure 4.4 – Desired APL Team Participant & Customer Base

Participation

Regular	Occasional	Total
25,000	50,000	75,000

Watch Soccer on Television

Every Time	Occasional	Total
100,000	150,000	250,000

(c) APL Team Location

(i) Sydney

The 3 Sydney markets are:

North (N)	West (W)	South (S)
Northern	West	South
Central (50%)	South West (50%)	South West (50%)
Gosford/Wyong	-	Central (50%)

Figure 4.5 illustrates the participation and customer divide that follows, to provide each APL Team with equality of sporting and commercial opportunity.

Figure 4.5 – APL Team Participant & Customer Base – Sydney

Participation

	Regular	Occasional	Total
N	40,000	44,000	84,000
W	68,000	58,000	126,000
S	70,000	45,000	115,000

Watch Soccer on Television

	Every Time	Occasional	Total
N	106,000	149,000	255,000
W	123,000	120,000	243,000
S	113,000	157,000	270,000

Figure 4.6 charts the manner in which the Sydney market will be divided to support 3 APL Teams. Stadium location can then be determined to enhance each Team's position within its exclusive territory.[20]

Figure 4.6 – APL Team Territories – Sydney

[19]PFA Management Limited (2002)
[20]All figures in this Chapter 4.2 are from Roy Morgan Asteroid (June/September Quarter, 2001). All figures are 16+

(ii) Melbourne

Melbourne is seen as being capable of sustaining 2 APL Teams.

As shown in Figure 4.7, the 2 exclusive APL Team territories in Melbourne are:

North West (NW)	South East (SE)
West	Central
North	Outer North East
Inner	Outer South East

Figure 4.7 – APL Team Territories - Melbourne

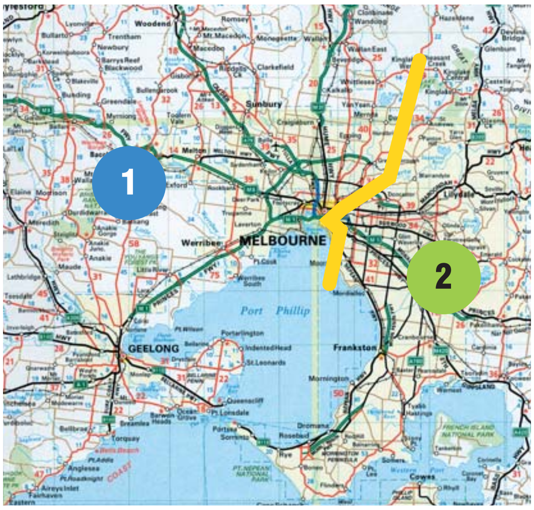


Figure 4.8 illustrates the consequential equality of commercial and sporting opportunity.

Figure 4.8 – APL Team Participant & Customer Base – Melbourne

Participation

	Regular	Occasional	Total
NW	23,000	48,000	71,000
SE	28,000	57,000	85,000

Watch Soccer on Television

	Every Time	Occasional	Total
NW	99,000	165,000	264,000
SE	93,000	184,000	277,000

(iii) Adelaide

Like Perth and Brisbane, Adelaide will be a "one team town". The Adelaide market is quantified in Figure 4.9.

Figure 4.9 – APL Team Participant & Customer Base – Adelaide

Participation

Regular	Occasional	Total
26,000	32,000	58,000

Watch Soccer on Television

Every Time	Occasional	Total
69,000	127,000	196,000

(iv) Brisbane

Figure 4.10 details the Brisbane market.

Figure 4.10 – APL Team Participant & Customer Base – Brisbane

Participation

Regular	Occasional	Total
33,000	50,000	88,000

Watch Soccer on Television

Every Time	Occasional	Total
86,000	147,000	233,000

(v) Perth

Figure 4.11 details the Perth market.

Figure 4.11 – APL Team Participant & Customer Base – Perth

Participation

Regular	Occasional	Total
25,000	49,000	74,000

Watch Soccer on Television

Every Time	Occasional	Total
85,000	164,000	249,000

4.3. Target Markets

3 clear and distinct target markets (TM's) have been identified:

- soccer fans not currently National Soccer League supporters;
- grass roots "soccer family" not currently NSL supporters; and
- existing NSL fans.

As noted earlier, research indicates that an extremely high percentage (86%) of existing NSL supporters will be attracted to the new APL.[21] The other 2 markets will, however, require dedicated campaigns.

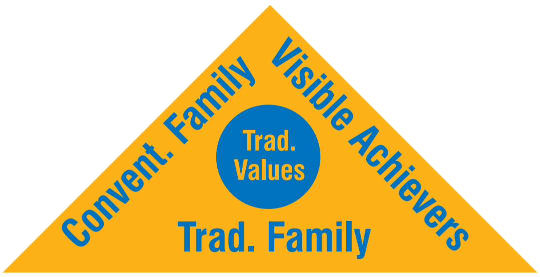
The demographics of these TM's are as follows:

- single males 18-29;
- middle class families with children 6-14 years of age; and
- older males 45+ (born outside of Australia).

Based on Roy Morgan Values, sourced from Roy Morgan Asteroid, the psychographics of the potential APL supporters are as follows:

Figure 4.12 – Psychographics of Potential APL Supporters

Young Values Cluster



Traditional Values Cluster

[21]Open Mind (2001)

5. APL GOVERNANCE AND STRUCTURE

5.1. APL Governance

The major competitive challenge to the success of the Australian Premier League is its ability to become a meaningful player in the Australian sports, entertainment and leisure industry. Indeed, other than on the field of play, the APL, its investors, Teams and players are very much partners in the one business venture.

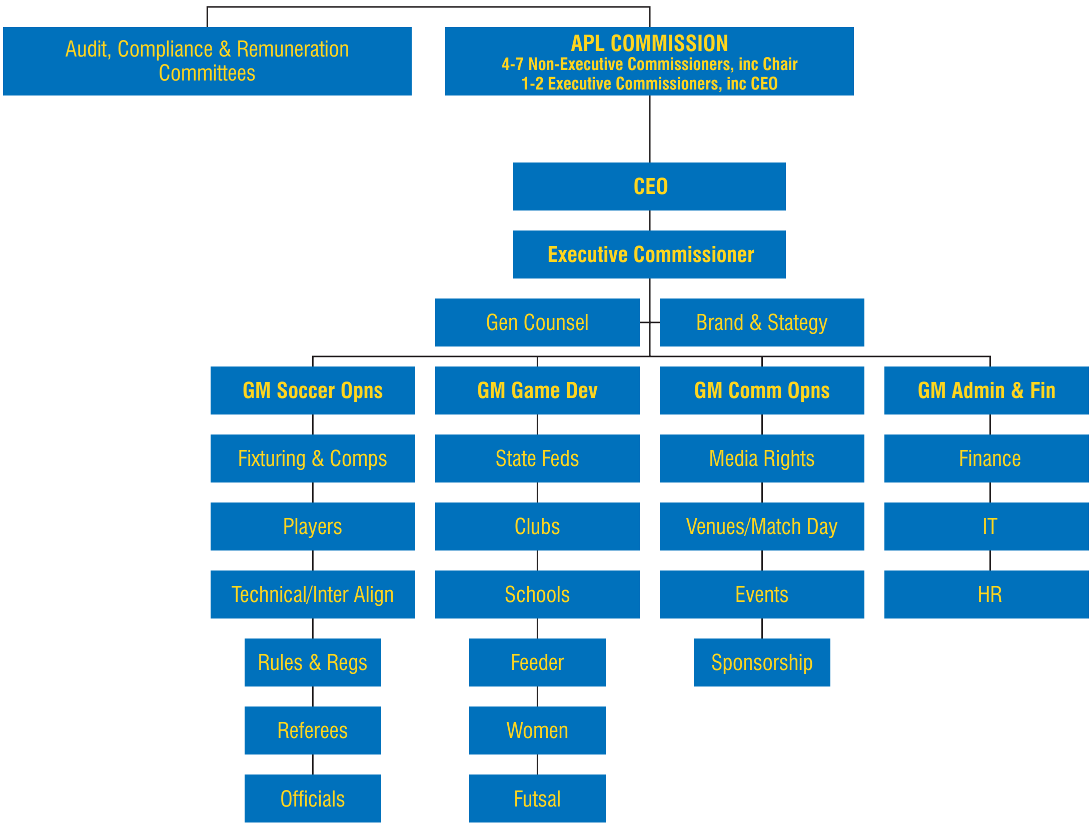
The Australian Premier League will be governed by a Board of Directors to be known as the APL Commission. All members of the APL Commission will be recruited by a specialist executive search consultancy to ensure each possesses the highest levels of sporting and commercial acumen. All members will be independent of the APL Teams, and the strictest principles of corporate governance will be adhered to at all times.

The APL Commission will consist of between 5 and 9 members, including between 4 and 7 Non-Executive Commissioners, including the Chair, who will be elected from within. In addition, one or 2 Executive Commissioners (including the Chief Executive Officer) will be appointed pursuant to contracts of employment.

Appropriate security of tenure will be enshrined that balances long term decision making with performance and accountability.

Figure 5.1 illustrates the organisational structure that the APL expects to initially adopt under the APL Commission.

Figure 5.1 – APL Organisational Structure



5.2. APL Structure

The opportunity exists for both investors and soccer's traditional governing bodies and leading soccer clubs to be involved in the Australian Premier League at one of 4 different levels.

(a) League Shareholder

The proposed structure for the Australian Premier League provides a unique opportunity for one or more investors to secure a key investment in a professional sports league in Australia, without the obligation to field a team.

The League Shareholders will, collectively, own 25% equity in the League.

(b) Club Shareholders

10 APL Teams will be licensed to participate in the Australian Premier League. Each will be exclusively owned by a Club Shareholder who will, through its Team, enjoy a 7.5% stake in the League.

(c) Soccer Australia Limited

As the governing body of Australian soccer recognised by FIFA, the opportunity will be created for Soccer Australia Limited to become a shareholder in the APL. No commercial rights will attach to the shares issued to Soccer Australia, which will be known as Soccer Shares. However, by becoming a Soccer Shareholder, Soccer Australia will enjoy rights similar to those afforded the English Football Association in the English FA Premier League, the world's leading professional soccer league.

The powerful showcase of the Australian Premier League will enable Soccer Australia to fully leverage and develop the game, from the grass roots right through to Australia's international team, the Socceroos. This exciting "one brand" strategy will be developed in a partnership between the APL and Soccer Australia.

(d) State and Territory Soccer Associations

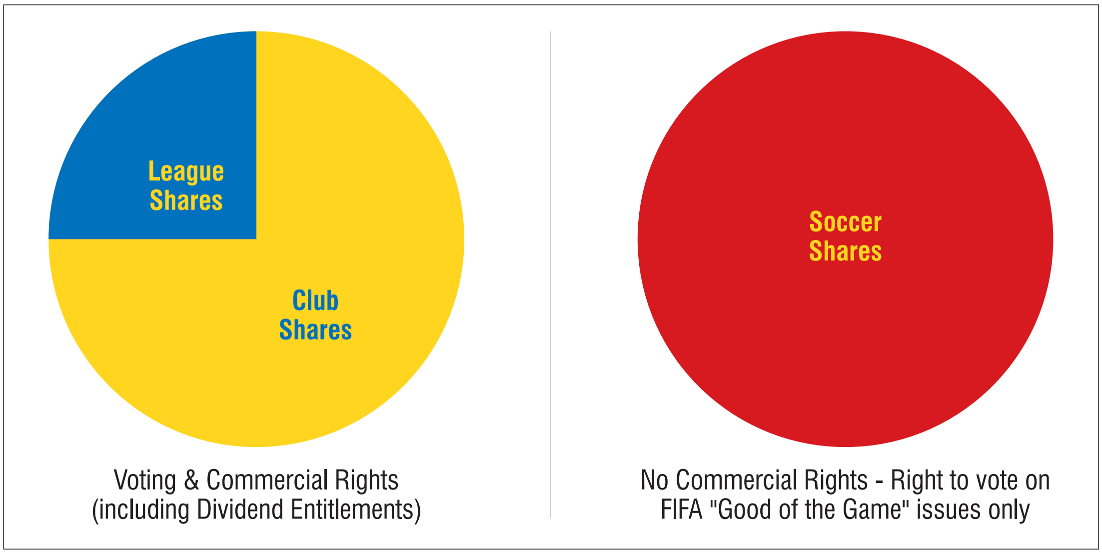
At a time when many professional sports are being perceived to be abandoning the grass roots communities that established them in the first place, the Australian Premier League aims to build the game from the grass roots and to positively contribute to the communities that are the game's foundation. Accordingly, the opportunity will also exist for State and Territory Soccer Associations of Australia to become a Soccer Shareholder in the APL. Again, no commercial or voting rights will attach to the Soccer Shares. However, the Australian Premier League will, in conjunction with the APL Teams, make a multi-million dollar investment in grass roots development in conjunction with all participating Soccer Associations.

(e) FIFA and the "Good of the Game"

In addition to the clear strategic benefits, the issuing of Soccer Shares to Soccer Australia and the State and Territory Soccer Associations in this manner will provide the jurisdictional basis to ensure that all APL competitions are conducted under the auspices of FIFA, whilst protecting the traditional governing roles of those bodies.

Given the special nature of each of these opportunities, 3 different classes of shares (League, Club and Soccer) will exist in the APL. This is illustrated by Figure 5.2.

Figure 5.2 – Australian Premier League Limited - Constitutional Structure



Note: The Australian Premier League entity is presently a private company limited by shares. It will become an unlisted public company upon being constituted in the manner described in this document.

6. APL FINANCIAL SUMMARY

6.1. "5 Pillars" Financial Strategy

In keeping with the "5 Pillars" Strategy, a long-term approach that emphasises the importance of investment underpins the financial strategy of the Australian Premier League. Figure 6.1 illustrates how the "5 Pillars" Strategy touches upon the essential issues that are ultimately determinative of the financial viability of a professional sports league and its teams:

Figure 6.1 – "5 Pillars" Financial Strategy

Pillar	Opportunity	Threat	Strategy
Visibility	• Achieve a strong presence in the broader media and at grass roots and community levels. • Attract average crowds of approx. 15,000 to APL matches, beginning at 10,000. • Deliver a national television audience of 774,000, growing at 5% to 900,000. • Based on the above, develop further key APL revenue streams and properties.	• Lack of awareness and visibility due to lack of investment in advertising, marketing and game development. • Lack of quality assurance in media rights deal (such as poor production values and timeslots), undermining perceived quality of the Australian Premier League.	• Substantial annual marketing and advertising expenditure budgeted for. • Significant grass roots properties. • Initial emphasis in media rights contract is on quality of the production, with potential commercial rights fees being discounted for the first 3 playing seasons. • Game development investment entrenched at a minimum of 5% of the revenue of all APL Teams.
Quality			
• On Field	• Ensure outstanding playing talent in the APL by recruiting 50 "Aussies abroad" and the best NSL and elite development players.	• "Blow-out" in player payments. • Financial disparity between APL Teams, leading to competitive imbalance and unsustainable player payments. • Players out of touch with community and grass roots. • APL an unattractive career option for leading Australian players.	• Collective Bargaining Agreement with the PFA encompassing: - salary cap and floor - game development - player education, welfare and retirement programs, all linked to APL Team revenues.
• Off Field	• By creating new league, set new standards of sports league management, efficiency and economies of scale.	• Poor management, at APL and APL Team levels.	• Well resourced central administration governed by an independent commission, providing direct assistance to APL Teams, especially in relation to the development of local brands and in meeting administration, finance, human resources and marketing responsibilities.
Atmosphere	• Boutique economical stadia to create atmosphere. • Demand by such venues for high quality content.	• Unsustainable stadium economics.	• League to drive negotiation of stadia deals of APL Teams, and employ central financial policies to correct the net financial effect of any disparity in stadia arrangements.
Community	• Build relationships and links with community at a time elite sport is perceived to be increasingly distant and changing lifestyles can undermine participation and game development.	• Financial priority being given to on-field success and survival, as opposed to medium term investment.	• Link game development investment to APL Team revenue, and support capacity for investment through player payment controls and financial equalisation policies.
Local Brands	• Develop a local brand for each APL Team.	• Poor branding decisions at APL and APL Team levels, including choosing brands that are alienating, inconsistent or conflicting. Subordination of APL Team brands to APL brand.	• Central ownership and management of APL Team brands (to deliver quality assurance, efficiencies and economies of scale), with local distribution of those brands (to create emotional pathway between local communities and APL Team brands).

In summary, the APL "5 Pillars" Financial Strategy addresses:

- the quality of the players, and addressing the perennial threats of escalating player payments and competitive/financial disparity between APL Teams;
- the quality and resourcing of the game's administration;
- stadium economics;
- community relationships and game development;
- powerful local brands, to provide an emotional and rational foundation to the fan/club relationship; and
- visibility, especially media rights and marketing investment.

6.2. Key Drivers of the APL Revenue Streams

Attendances and media audiences will, of course, underpin the business of the Australian Premier League. Both are the ultimate measures of the APL's critical mass, and therefore must drive key APL and APL Team properties.

(a) Attendances

Attendances are expected to initially average 10,000, although research indicates that average crowds of between 14,000 and 16,000 are possible.[22] (It should be noted that current NSL Club Perth Glory has averaged around 13,000 per home game since its inception in 1996).

(b) Broadcast/Media Audiences

A key objective of the Australian Premier League is to deliver a free to air television audience that is capable of achieving a Target Audience Rating Point (TARP) of 10 in all APL Team cities, including Australia's 5 key markets. A TARP of 10 equates with a national television audience of approximately 1.1 million (all people). Such an audience is clearly a very attractive proposition for Australia's broadcast/media companies. It also represents the key APL property capable of underpinning the financial model of the Australian Premier League in the medium to long term.

Figure 6.2 tables an independent media valuation of the APL's free to air media rights once the APL is delivering the identified national audience .

Figure 6.2 – Independent Media Rights Valuation[23]

Analysis			
Average TARP PPL 10+	5.5	6.4	8.5
Value Based on Cost Per TARP	$7,221,000	$8,402,600	$11,160,000

Subscription television (through pay and/or broadband) is also intended to complement the APL's free to air television strategy and drive the revenue performance of the League. The APL aims to attract 75,000 subscribers (being less than 10% of the 774,000 Australian identified by Roy Morgan Asteroid[24] as being viewers of soccer on television "every time" it is on).

6.3. Financial Summary

A comprehensive financial and investment model has been developed for the Australian Premier League, at League and Club Shareholder levels. The model remains subject to ongoing review and refinement until the commencement of the anticipated public Expressions of Interest process.

(a) Overview

In summary, the Australian Premier League aims to:

- initially raise A$10 million to ensure that the League has the requisite capital base to enable it to deliver the "5 Pillars" strategy;
- raise the initial A$10 million capital by:
  - one or more League Shareholders collectively investing A$2.5 million to acquire League Shares; and
  - 10 Club Shareholders each investing A$750,000 to acquire Club Shares;
- ensure both the League and each APL Team achieve a position of profitability by the end of 2005/2006, the second APL playing season and the third year of APL operations;
- deliver commercial Returns on Investment to League and Club Shareholders. The respective Returns on Investment at League and Club Shareholder levels are designed to encourage "League – think", by requiring each Club Shareholder to see the performance of the League as driving a satisfactory Return on Investment; and
- have the option to raise a further A$10 million in 2007/2008, the fourth APL playing season, should the League be unable to negotiate its key media and commercial properties at near commercial value by then.

(b) Timeframe

As noted earlier, the APL desires to begin its inaugural playing season in November 2004.

Commercial feasibility prevents the APL from being in a position to commence playing operations in time for the 2003/2004 playing season.

The APL believes it is essential to allow for each APL Team to have at least 12 months in order to comprehensively undertake and complete the necessary playing and commercial preparations. Furthermore, the APL's fundraising target will only be met if the Expressions of Interest process can be undertaken in a commercially conducive environment.

Accordingly, the precise objective is to establish the Australian Premier League as soon as is commercially feasible.

[22]PFA Management Limited (2002).
[23]Modern Sport & Entertainment Pty Ltd (2002)
[24]Roy Morgan Asteroid (June/September Quarter, 2001)

Notes

7. CONTACT PARTICULARS

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