

Some Comments on *Building Australia's Football Community: A Review  
Into The Sustainability Of Football*

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On 1 December 2011, The Hon. Warwick Smith AM released his Report on *Building Australia's Football Community: a Review into the Sustainability of Football*. In his report he draws on some information that I provided in my December 2010 Report to the Australian Athletes' Alliance *The Linkage between Player Payments and Benefits to Revenue Sharing in Australian Sport*. On 2 December 2011 I provided some observations to the Smith Report on the Professional Footballers Australia website ([http://www.pfa.net.au/index.php?id=5&tx\\_ttnews\[tt\\_news\]=377&tx\\_ttnews\[backPid\]=4&cHash=a9d30963d2](http://www.pfa.net.au/index.php?id=5&tx_ttnews[tt_news]=377&tx_ttnews[backPid]=4&cHash=a9d30963d2)). The comments below elaborate on these observations and other material contained in the Smith Report.

The Smith Report is a relatively short document. It runs to only 35 pages, excluding an Appendix and an Attachment. It contains a number of photos and charts or what it calls figures. It is light on basic data and information.

Except for the Australian Football League, the major (team) sports in Australia have teams that compete in international competitions and domestic leagues, ignoring the problem of some domestic leagues, such as the A-League, including teams in other

nations (new Zealand and South Africa). In Rugby League there is also the problem of State of Origin fixtures. The relative financial strength of these two components varies from sport to sport, and as I indicated in my report, it poses difficulties in trying to ascertain the relative shares of player income between the respective components. It would not be unreasonable to state that international competitions and Rugby League's State of Origin fixtures subsidise the respective league competitions.

Mr Smith commits a not insignificant error in the reporting of my findings. He reported my estimate for the players' share of income in the A-League and not for Australian Football as a whole, in comparison with the Total Shares that players received in the other sports. These results are reproduced below as Table One.

Table One

Overview of Australian Sports and Players' Shares of Income

Sport	Range of Players' Share (per cent)
Australian Football	20.36 to 23.08%
Rugby League (State of Origin)	20.22 to 23.03% (12.17%)
Cricket	25.00 to 26.00%
Rugby Union	17.72 to 20.29%
Soccer (Socceroos)	21.36 to 29.34% (10.12%)
Swimming	7.71 to 10.81

When it came to the A-League, I found that for 2009/10, players received a share in the range of 30 to 48 per cent: the variance being in the range of minima and maxima payments contained in the A-League's Collective Bargaining Agreement. On page 29

Mr Smith includes a figure of 46 per cent as the players' share. How he arrived at this figure is not explained, especially given that my range was from 30 to 48 per cent. If any figure was entered it should have been the midpoint between the two – 39 per cent.

The more significant problem, as indicated above, is that Mr Smith compares a partial component of the share of Football players with the Total shares of players in other Australian sports. As I said in my statement of 2 December 2011: First, one cannot look at the A-League in isolation from the business of Football Federation Australia (FFA), especially the Socceroos, which are a major driver of game revenue. When combined Socceroos and A-League player payments are looked at as a percentage of combined FFA and A-League club revenue, my study found that the players' share of revenue ranges from 21.36% to 29.34% depending on the year. Yet Mr Smith does not refer to this finding in his Report. This is clearly comparable with the other sports referred to Mr Smith, which distribute between 20% and 26% of combined governing body and team revenue to players.

For example, in cricket, almost all revenues are generated by the national team. Of course, it is not being suggested that State cricketers should take a pay cut. The integrated financial model of cricket (which Mr Smith recommends be maintained for football) enables national team revenue to subsidise the States and build a substantial career path at State level. Clearly, football must do the same, especially given the global market for the services of players.

Second, FFA arguably understates A-League club revenues because it pays a very low dividend to A-League clubs in comparison with what the other governing bodies pay to their professional teams. The Australian Rugby Union provides each State with a grant of \$4.3 million which, for 2008, would have constituted 59.35% of player payments. In the same year, the Australian Football League dividend to clubs exceeded total cap payments (it was 101%), but was 77.47% of total player payments. For the A-League, for the year beginning in 2006/07 to 2009/10, the percentage shares were 64.86, 57.31, 51.39 and 48.46% respectively; a steady decline. In the case of the National Rugby League, the approximate shares for 2006 to 2009 were 67.47, 70.32, 71.35 and 70.83%.

Two other comments concerning Mr Smith's findings on player shares will be highlighted. He correctly states that I said that in the five year period from 2005/06 to 2009/10 that player income in Australian football had doubled. What he does not report is that in the four year period from 2006/07 to 2009/10, one year less than the period above – I was unable to obtain FFA income for 2005/06! - FFA income had increased by 85 per cent. In other words, player income had increased at approximately the same level as that of FFA income. The strong inference from this is that the financial problems that have beset the FFA, which Mr Smith alludes to in his Report, especially in its operation of its head office or central administration (he in fact recommends that FFA pursue a 'lean' approach in its financial management) cannot be put at the foot of players. These are problems of the FFA's own making.

Second, Mr Smith refers to shares of revenue received by Japanese players in the J-League and America's Major League Soccer as 34 and 26 per cent respectively. These

comparisons are designed to make the share received by A-League players as being too high. I have already criticised the basis of Mr Smith's calculations concerning the A-League above. For the J-League the source he quoted (Japan Professional Football League 2011) says that for the period 2001 to 2009 players, managers, coaches and other staff received payments ranging from 43.9 to 49.4 per cent. The data does not differentiate player shares from other staff. Mr Smith has not explained how he happened upon his 34 per cent share for the J-League and for what year. His American source (<http://www.mlssoccer.com/content/2007-full-season-stats>), and please note what it says - 2007 full season stats – does not provide any information on player shares of income. My search of the internet also failed to provide any data on players' share of income in American football. It is a mystery where he obtained his 26 per cent figure for America.

Recommendation 3.1 states that there should be 'Salary cap reforms including options to freeze or reduce the cap and remove the minimum salary'. In recommending the removal of minimum salaries, Mr Smith is seemingly unaware that the determination of minimum wages is enshrined in Part 2.6 of the *Australian Fair Work Act 2009* (Cth). This is a basic point which is well known to every HSC economics student in the nation, and is a sad commentary on the quality and general knowledge of Australian industrial relations contained in his Report.

In my statement of 2 December 2011 I said, concerning Recommendation 3.1: An A-League footballer is a full-time employee and the Collective Bargaining Agreement enshrines a minimum salary of \$47,094 for players 21 or older, and \$38,020 for younger players. A professional player is entitled to the protection of the employment

law of this country. Mr Smith's recommendation that the minimum payment be removed would be unlawful in every workplace in Australia.

Further, it is now accepted throughout the world of sport that wherever a salary cap operates, it must be accompanied by a salary floor, which in the A-League is set at 85% of the salary cap. This is lower than a number of other sports such as the AFL, which sets it at 92.5%. There is no evidence that a salary floor 'artificially inflates salaries' as Mr Smith suggests. A salary floor obliges all clubs to make a minimum investment in playing quality to ensure the salary cap's objective of competitive balance is advanced. It is also widely accepted on principles of general justice and fairness as part of the players' voluntary agreement to cap their earnings in the interests of financial viability.

More generally, Mr Smith has not engaged with basic issues such as the economics of sporting leagues, their operation as cartels, how other sports in Australia and overseas manage their affairs and the peculiarities of the international market for football players. The reference base of the Report is very light and has turned a blind eye to the burgeoning literature that exists on various economic and legal issues pertaining to team sports in general, and Football, in particular.

The FFA embraced the findings of the Smith Report in a few hours. Maybe the FFA consulted with the A-League clubs before reaching this decision. While Mr Smith recommended that A-League clubs be involved in the strategic decision making concerning their future he did not recommend that the A-League should be a stand alone competition, 'independent' from the FFA, as had the Crawford Report in 2003

*(Report of the Independent Soccer Review Committee into the Structure, Governance and Management of Soccer in Australia).* In my view the clubs of the A-League should strenuously oppose this recommendation. Mr Smith and the FFA in adopting proposals to reduce the income of players have decided to trash the A-League. Or alternatively, if the object of this Report is to induce the FFA to practice fiscal discipline and adopt lean practices, then stopping it from extracting rents from the A-League provides an alternative way ahead. Moreover, it should be noted that in 2009/10, the World Cup year, the Socceroos only received 10.12 per cent of the income they generated.