



**AUSTRALIAN ATHLETES' ALLIANCE**

# **The Linkage Between Player Payments And Benefits To Revenue Sharing In Australian Sport**

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# Table of Contents

## Contents

Terms Of Reference .....	3
Executive Summary .....	5
Introduction.....	8
The Economics Of Team Sports .....	10
Player Payments In America And European And Japanese Soccer .....	12
Player Shares In Australia.....	18
Australian Rules.....	19
Rugby League .....	26
Cricket.....	32
Rugby Union.....	45
Soccer.....	53
Netball.....	64
Swimming.....	66
An Overview Of Findings.....	71
The Future.....	74
Appendix : Percentage Of Player Payments From Revenue Distributed To Clubs By Leagues .....	76
References.....	77

## **Terms Of Reference**

On 9 June 2010, Brendan Schwab, the General Secretary of the Australian Athletes' Alliance, commissioned me to undertake an Inquiry into the "*Linkage Between Player Payments And Benefits To Revenue Sharing In Australian Sport*". My terms of reference were:

*To conduct a benchmarking exercise of revenue sharing across the following Australian sports:*

*Australian Rules*

*Rugby League*

*Cricket*

*Rugby Union*

*Soccer*

*Netball*

*Swimming*

*In particular I was to inquire into:*

- 1. Game revenues*
- 2. Game Revenues shared with players*
- 3. Player services and attributes acquired under respective contracts, such as:*
  - a. Labour/employment*
  - b. Image Rights*
  - c. Appearances*
  - d. Licensing*
  - e. Restraints - commercial (such as restrictions on personal sponsorship opportunities) and labour (e.g. restrictions on freedom of movement)*

*f. Other relevant contractual matters (e.g. guaranteed/non-guaranteed contracts)*

*4. Player payments and benefits, including player programs (e.g. retirement funds, amounts set aside for education and development; player association funding)*

*5. Percentage shared with players under point 4 from*

*a. Revenues under point 1; and*

*b. Revenues under point 2.*

Comparisons were also to be made with comparable overseas (essentially team) sports such as the major US sports and European soccer.

## Executive Summary

Australian sport has become increasingly popular and commercially successful in the last three to four decades. The object of this Inquiry was to investigate into and compare the extent to which players in different sports had shared in this prosperity. It begins with a general discussion of the different ways that Australian sports are structured. This is followed by a brief examination of the economics of professional team sports. Information concerning player shares in America, European and Japanese Soccer are presented to provide a basis of comparison with Australia. The next two sections contain the bulk of the Inquiry. They present data, from approximately the last five years, on revenue generated, payments to players and revenue shares; and various arrangements concerning image rights, intellectual property and licensing in Australian Football, Rugby League, Cricket, Rugby Union, Soccer, Netball and Swimming. The final two sections provide an overview of the findings.

Berry, Gould and Staudohar have written that ‘Players as actors are both the machinery and the product...It is not just that athletes are part of the game: They are the game’.<sup>1</sup> While this may be so, in Australia players receive a relatively small percentage of the revenue they generate from their necessary participation in ‘the game’. Players of team sports receive approximately 18 to 30 per cent of revenue, with swimmers receiving less, approximately 8 to 11 per cent.

These are substantially below those of players in overseas competitions. Shares in American sports are approximately 58 per cent, in European Soccer, except for Germany, between 63 and 68 per cent, and in Japan’s J-League, 48 per cent.

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<sup>1</sup> Robert C. Berry, William B. Gould IV and Paul D. Staudohar, *Labor Relations in Professional Sports*, Auburn House, Dover, Massachusetts 1986, p. 10.

**To the extent that leagues experience financial problems it is not due to the payments made to players.**

In addition, the players' share of income in Australian Football, despite the economic strength and success of the code, has been in steady decline and total payments and benefits to players have been less than the annual 4 per cent increase in wages experienced by Australian workers, **The Australian Standard**. Increases to Rugby League's salary cap have been less than **The Australian Standard** and total payments to swimmers have actually fallen, and include clauses to withhold portions of the 'low' income that they are entitled to receive. Finally, full time players in Rugby League, outside the first tier of 25, may receive incomes less than the Australian adult minimum wage. Netballers, who are employed on a seven month contract, have minima, pro rated, less than this adult minimum wage, as do most swimmers.

One of the things that distinguish Australian sports from those overseas, especially American, is the pastoral role that Australian leagues claim that they perform. On the basis of American experience, where players receive a 58 per cent share, it was argued that the **Natural Operational Cost** of leagues and clubs was 42 per cent of revenue. Australian sports pay players an 18 to 30 per cent share.

CBAs in Australia contain two pressure points which have the potential to provide player associations with a strategic edge. They are the commitments from players collectively and individually that the respective codes' employment rules are essential for the economic survival and health of the sport. Leagues insisted on these agreements to shield their rules from common law unreasonable restraint of trade suits. The low shares of income, that Australian players have obtained, indicates that leagues have obtained such commitments at a low price. The second is the

requirement of players signing over their intellectual property or image rights to be exploited by leagues and clubs. Both of these pressure points can be exploited by Player Associations to increase players' shares of the revenue they generate.

## **Introduction**

The various sports which are the subject of this Inquiry are structured in different ways, which is a function of their respective histories. The major differences are in the balance between league and international competitions, whether leagues involve teams from outside Australia, the inclusion of representative competitions such as State of Origin fixtures and the inclusion of female and junior league and female and junior international teams. Table One provides a summary of the structure of different Australian sports. Australian football (AFL) is unique in that it is the only sport that constitutes a stand alone domestic league. While a hybrid game has been developed where an Australian team plays internationals against an Irish side which plays Gaelic Football, it is a sport, which to all intents and purposes, is not involved in international competitions.

All of the other sports are involved in international competitions, the importance of which, in financial terms, varies. For example, in Cricket, Soccer and Rugby Union, the income obtained from the respective teams involved in internationals constitutes the major source of revenue. This translates into international competitions subsidising the rest of the code, especially domestic leagues, and serves to complicate calculations and understandings concerning revenue sharing in the respective sports. In a similar way, State of Origin games, which are very popular in Rugby League, subsidise the rest of the code and/or the players who participate in such events are 'underpaid' or what economists would describe as exploited. Two traditional male sports, cricket and soccer, now have female players who participate in international competitions whose interests are represented by the Australian Cricketers' Association (ACA) and Professional Footballers Australia (PFA), respectively. A domestic female league – the W-League - also operates in soccer. In addition, the



PFA represents the Olyroos and the Under 20s in negotiations with the Football Federation of Australia (FFA).

**Table One**  
**Structure Of Australian Sports**

	League	Internationals	State of Origin	Female League	Female Internationals	Junior Internationals
Australian Rules	16 Australian Teams					
Rugby League	16 Teams, One From New Zealand	Occasional	NSW v Qld			
Cricket	Six State Teams; Three Competitions; Shield, One Dayers and Big Bash	Test Matches, One Dayers and Twenty20			Southern Stars	
Rugby Union	Four Teams Plus 5 Each From New Zealand and South Africa	Various Competitions plus 'Sevens'				
Soccer	11 Teams, One From New Zealand	Various Competitions		Seven Team League	Matildas	Olyroos and Under 20s
Netball	Five Teams Plus 5 From New Zealand	Various Competitions				
Swimming	National Competitions	Various Competitions including Commonwealth and Olympic Games				

## The Economics Of Team Sports

Other than for swimming, all of the sports examined here are team sports. Putting to one side the complications of international and other competitions noted above, it will be useful to consider some general issues associated with the economics of professional team sports. By definition a sporting contest requires teams to compete against each other. This is different from the general rules associated with other aspects of commercial life. In the non sporting world the goal of firms is to compete vigorously with each and to drive rivals out of the market. This would be anathema for a sporting competition. It is not as if a team can compete against itself. All teams have a vested interest in the commercial and sporting viability of the teams they compete against.

A league operates as a cartel. Neale maintains that 'Receipts depend upon competition among the...teams, not upon business competition among the firms running the competitors, for the greater the economic collusion and the more the sporting competition, the greater the profits'.<sup>2</sup> Economic theory and public policy, as demonstrated by the *Trade Practices Act 1974* (Cwth) and the common law doctrine of restraint of trade, abhor cartels. Notwithstanding this, the question remains as to what is the most 'efficient' way for leagues, these sporting cartels to operate? It is generally argued that the best way for leagues to enhance income from spectators, broadcasters, sponsors and others is by producing teams of equal sporting ability. Unpredictability excites interest and generates income, whereas predictable walk

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<sup>2</sup> Walter C. Neale, 'The Peculiar Economics of Professional Team Sports: A Contribution to the Theory of the Firm in Market Competition and Sporting Competition', *Quarterly Journal of Economics*, LXXVII (1), 1964, p.2.

overs have the opposite effect. This begs the question, however, of how to create teams of equal sporting ability.

Imagine a two team league. The team which wins will attract more supporters and income than the team that loses. This team will have more income to attract the best players. In addition, up and coming players will be attracted to join this club because of its demonstrated success. This problem can be generalised to larger leagues. The problem of 'rich' and successful clubs existing alongside 'poor' and unsuccessful clubs is that it undermines competitive balance/sporting equality and the viability of the league. This is a problem of interclub relations and can be resolved via the league redistributing income to the less successful, 'poorer' teams, to place them on the same financial footing as successful clubs in the market for players.

Traditionally leagues and clubs did not make use of income redistribution to solve such problems. Instead, they made use of labour market controls which restricted the economic rights and income earning potential of players. A mainstay of such rules were zoning and transfer systems, which restricted players to only signing with the club whose zone they resided in and precluded them from taking up employment with another club, even if they were out of contract, without first obtaining the permission of their former club. In time, these various rules were subjected to legal attack, and upheld by the courts as unreasonable restraints of trade. The legal vulnerability of such rules provided a window for player associations to negotiate Collective Bargaining Agreements (CBAs) with their respective leagues. For leagues, such deals held out the prospect of shielding their employment rules from potential common law attacks.<sup>3</sup>

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<sup>3</sup> For an account of such developments in Australia, see Braham Dabscheck and Hayden Opie, 'Legal Regulation of Sporting Labour Markets', *Australian Journal of Labour Law*, 18 (3) 2003, pp. 259-283.

## **Player Payments In America And European And Japanese Soccer**

Under the regime of the 'old' labour market controls, clubs were able to pay players whatever they liked or relatively low levels of income. American baseball provides a famous example of the power clubs wielded over players. In 1952, Ralph Kiner of the Pittsburgh Pirates tied the league for the most home runs in a team which finished last. His manager, Branch Rickey reduced his salary by 25%. Kiner complained. Rickey retorted, 'We finished last with you and we can finish last without you.'<sup>4</sup>

In this era of unfettered club control, the income players received varied from club to club, with richer, more successful clubs paying more than poorer, less successful clubs. Beginning in the 1960s in English soccer, and the 1970s in American sports, individual players and player associations initiated legal and other challenges to the league and club imposed labour market rules. Such challenges were generally successful and freed up the operation of labour markets.<sup>5</sup>

In 1983, the players and owners in American basketball developed a new approach to player payments and industrial relations, more generally. They agreed to the introduction of a salary cap. Players within individual teams were to receive a 53 per cent share of revenue, or a stipulated money amount, whichever was higher. In addition, a club was able to sign one free agent, whose income was excluded from the calculation of its salary cap.<sup>6</sup> The logic behind the cap was to combine revenue

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<sup>4</sup> Lee Lowenfish, *Branch Rickey: Baseball's Ferocious Gentleman*, University of Nebraska Press, Lincoln and London, 2007, pp 518-519.

<sup>5</sup> For a useful summary of American developments see Berry, Gould and Staudohar, *Labor Relations in Professional Sports*.

<sup>6</sup> See Berry, Gould and Staudohar, *Labor Relations in Professional Sports*, pp. 181-188; and Paul D. Staudohar, *Playing For Dollars: Labor Relations and the Sports Business*, ILR Press, Ithaca, 1996, pp. 117-121.

sharing with a constraint on the income clubs spent on players to ensure their financial viability.

Three initial issues associated with this American basketball example should be noted. First, what items should be regarded as contributing to the income that should be shared? Second, what items should be regarded as constituting payments to players under this model? Third, what items, if any should be allowed as exceptions to salary cap payments? Or alternatively, should caps be ‘hard’ (have limited exceptions) or be ‘soft’ (with many exceptions)?

With the passage of time, other major American sports have adopted variants of the basketball model. The National Football League employs a guaranteed league wide salary cap in combination with a minimum team salary. Major League Baseball combines revenue sharing with a competitive balance tax. The latter is a ‘tax’ on clubs that spend over a specified level of payments to players. The National Hockey League links club salary caps to growth in revenues.<sup>7</sup> The Hockey agreement specifies different shares of revenue, in the range of 54 to 57 per cent, which move upwards or downwards with increasing or decreasing levels of income obtained.

Soccer has been traditionally subject to the operation of a compensation and transfer system. The former involved payments for players who changed clubs once their contracts had expired, and the latter for payments during the life of the contract. In 1995, the European Court of Justice, in *Bosman*, found that the compensation system and restrictions on the number of foreign (European based) players who could play for a club was inconsistent with the free movement of workers within the European

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<sup>7</sup> National Football League Collective Bargaining Agreement, 2006-2012; Major League Baseball 2007-2011 Basic Agreement; and Collective Bargaining Agreement between National Hockey League and National Hockey League Players’ Association July 22, 2005-September 15, 2011. Also see Collective Bargaining Agreement between the National Basketball Association and National Basketball Players’ Association, July 1, 2005-June 30, 2011.

community, as enshrined in the European Treaty.<sup>8</sup> Following this, in 2001, soccer adopted a new set of employment rules which allowed the payment of compensation fees for players less than 23, and transfer fees for players who change clubs during the life of their contract.<sup>9</sup> The *Bosman* case and subsequent rule changes have resulted in substantial increases in payments to players in European soccer. This phenomena, however, has not been associated with the adoption of revenue sharing or salary cap rules, as occurred in America.

Table Two provides information on the shares of operating income that players receive in major American sports for various years. It is derived from data collected by Forbes. It shows that the relative shares ranged from a low of 55 per cent in Hockey to a high of 59 per cent in basketball.

**Table Two**  
**Forbes' Calculation Of Players' Shares Of income In American Sports**

	Season	Club Average (Per Cent)
Baseball	2008	56%
Basketball	2007-2008	59%
Football	2008	58%
Hockey	2008-2009	55%

Source: Forbes' Lists of Teams Valuations in Different Leagues [2009].

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<sup>8</sup> Case C-415/93 *Union Royale des Societies de Football Association v Bosman* [1995] ECR I-4921.

<sup>9</sup> Principles for the Amendment of FIFA Rules Regarding International Transfers [5 March 2001] FIFA Regulations Regarding the Status and Transfer of Players [5 July 2001]; and Regulations Governing the Application of the Regulations Governing the Status and Transfer of Players [5 July 2001].

The information contained in Table Three is based on different calculations conducted by leading American sports economist Andrew Zimbalist, in a recent article published in the *Journal of Sports Economics*.<sup>10</sup> The players' share for baseball is based on Total Revenue, in basketball it is Basketball Related Income and in Football it is Total Revenue and Defined Gross Revenue (the data in brackets), as defined in the CBAs of the respective sports. Zimbalist has no specific calculations for hockey, but points out that players receive a 54 to 57 per cent share of Hockey Related Income per its CBA (see above). He also notes how the respective sports have different definitions of what 'items' should be regarded as income to be shared with players. The findings of Table Three are similar to those of Table Two with the respective sports providing average shares of income in the range of 57 to slightly less than 60 per cent of gross or total revenues.

**Table Three**

**Andrew Zimbalist's Calculations Of Players' Shares Of Income In American Sports**

	Year	Revenue (Per Cent)
Baseball	1990	42%
	1995	62%
	2000	56%
	2005	53%
	2007	51%
	Average 1994-2007	57%

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<sup>10</sup> Andrew Zimbalist, 'Reflections on Salary Shares and Salary Caps', *Journal of Sports Economics*, 11 (1), 2010, 17-28.

Basketball	1994-1995	53%
	2000-2001	65%
	2006-2007	57%
	Average 1995/96-2006/07	58%
Football	1995	62.1% (69.4%)
	2000	62.6 % ( 70.8%)
	2006	58.4% (N/A)
	Average 1994-2006	59.5% (67.65%)

Source: Andrew Zimbalist, 'Reflections on Salary Shares and Salary Caps', *Journal of Sports Economics*, 11 (1), 2010, 17-28.

Table Four reproduces information prepared by Deloitte on the wages share of income obtained by players in the major soccer leagues in Europe from 2004/05 to 2008/09. Players in the German Bundesliga receive an average share of approximately 49 per cent. In the other four leagues the average shares are higher, ranging from 63 per cent in the English Premier League and Spain's La Liga, 65 per cent in France's Ligue 1 and 68 per cent in Italy's Serie A. For Japan's J-League, wages costs, which include salaries to managers, coaches and other team staff including junior teams, for 2008/09, were 47.97 per cent of revenue.<sup>11</sup>

On average, European soccer players receive a higher share of income than American players. Having said this, players in both parts of the sporting world receive 'high' shares of income, which in the majority of cases range from 55 to 65 per cent of the income they generate. Focusing on American sports, players receive an approximate share of 58 per cent. Or alternatively, 42 per cent of revenue funds, what will be called the **Natural Operational Cost** of leagues/clubs.

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<sup>11</sup> J-League News, English Edition No. 43, 18 December 2009, p. 7.



**Table Four**

**Deloitte's Calculations Of Wages Share Of Revenue In Various European Soccer Leagues: 2004/05 to 2008/09**

Country	League	2004/05	2005/06	2006/07	2007/08	2008/09
England	Premier	59%	62%	63%	62%	67%
Spain	La Liga	64%	64%	62%	63%	63%
Italy	Serie A	68%	63%	68%	68%	73%
Germany	Bundesliga	47%	51%	45%	50%	51%
France	Ligue 1	63%	59%	64%	71%	69%

Source: Deloitte, *National Interest Annual Review of Football Finance 2010*, Manchester, June 2010, p.18.

## Player Shares In Australia

The player associations provided me with documents and financial data concerning their respective operations. It should not be surprising to report that both the manner in which financial data is collated/presented and the scope or breadth of material which was provided varied. Each sport is examined in turn. Information is presented on employment rules derived from the respective CBAs (and other relevant documents) and the shares of income that players receive. I thought it might also be useful to provide some data concerning increase in wages in the Australian economy in recent years, to put the examination of material concerning the various sports into a broader context. Table Five reveals that ordinary time hourly rates of pay, excluding bonuses, in the years 2004/2005 to 2008/2009, increased by approximately 4.0 per cent each year. This 4.0 per cent increase will be called the **Australian Standard**.

**Table Five**

### **Changes In Ordinary Time Hourly Rates Of Pay, Excluding Bonuses, Australia: 2004/2005 to 2008/2009**

Year	Percentage Change
2004-2005	3.8%
2005-2006	4.0%
2006-2007	3.9%
2007-2008	4.1%
2008-2009	4.1%

Source: Australian Bureau of Statistics, Labour Force Index, Cat. No. 6345.0, September Quarter 2006; March Quarter 2010.

## Australian Rules

The AFL operates a 16 team competition. Two new teams will be introduced into the competition; the Gold Coast Suns in 2011, and Greater Western Sydney in 2012. The major employment rules which govern the operation of Australian Rules football are the operation of a draft (the external draft for new players and the internal draft for existing players), player trades, a 'common' roster, minimum salaries and a salary cap. Free agency will be introduced for players who have played with a club for eight years in 2012. Clubs have player lists which combine three different categories of players. They are a primary list of 38 players, up to 2 veterans and up to 6 rookies (with veterans and rookies being exchangeable per the lists). Rookies can also be substituted for players with long term injuries.

**Table Six**

### **Minimum Salaries For Different Categories OF AFL Players 2007-11**

	2007	2008	2009	2010	2011
Base Payment 3 <sup>rd</sup> Season Player Plus	\$56,700	\$60,600	\$62,700	\$64,700	\$66,900
First Year Player 1 <sup>st</sup> Round Draft Choice	\$50,200	\$53,700	\$55,500	\$57,300	\$59,200
First Year Player 2 <sup>nd</sup> Round Draft Choice	\$45,500	\$48,700	\$50,400	\$52,000	\$53,800
First Year Player 3 <sup>rd</sup> Round Draft Choice	\$43,200	\$46,300	\$47,800	\$49,400	\$51,000
Second Year Player 1 <sup>st</sup> Round Draft Choice	\$51,200	\$54,700	\$56,600	\$58,500	\$60,400
Second Year Player 2 <sup>nd</sup> Round Draft Choice	\$46,400	\$49,700	\$51,400	\$53,100	\$54,800
Second Year Player 3 <sup>rd</sup> Round Draft Choice	\$44,000	\$47,100	\$48,700	\$50,300	\$51,900
Rookie	\$30,000	\$32,100	\$33,200	\$34,300	\$35,400
Temporarily Promoted Rookie	\$43,200	\$46,300	\$47,800	\$49,400	\$51,000

Source: AFL/AFLPA Collective Bargaining Agreement 2007-2011.

Table Six summarises the minimum salaries for different categories of AFL players for the period 2007 to 2011. They range from minimum amounts for rookies of \$30,000 to \$35,400, over these years, to players who are playing in their third season of \$56,700 to \$66,900. In addition, players receive extra payments for each game they play. These payments range from a minimum \$2,400 to a maximum of \$3,100 over the life of the collective agreement. A first year player who played in every match (excluding finals), under these rules would earn income in the range of \$96,000, in 2007, to \$114,800, in 2011.

Table Seven provides information on club salary caps for the period 2007 to 2011. The data for 2011 is based on a 16 team competition. Extra ‘cost of living’ payments are made to the Brisbane Lions and Sydney Swans for players having to move interstate. These payments are captured in ‘other’ payments made to players. Under the CBA, clubs are required to spend 92.5 per cent of their caps (Total Player Payments) on players. The Table reveals increases in the cap, in the first two years of the agreement were above the 4 per cent **Australian Standard**. For 2009, 2010 and 2011 increases in the cap were/will be less than the **Australian Standard**.

### **Table Seven**

#### **Salary Caps And Percentage Increases In Australian Rules 2007-11**

Year	Amount Per Club	Percentage Increase
2007	\$6,943,750	7.3%
2008	\$7,431,250	7.0%
2009	\$7,693,750	3.5%
2010	\$7,950,000	3.3%
2011	\$8,212,500	3.3%

Source: AFL/AFLPA Collective Bargaining Agreement 2003-2008; and AFL/AFLPA Collective Bargaining Agreement 2007-2011.

The caps for these various years exclude a range of extra payments to players which are allowed under the CBA. These are:

- (a) relocation expenses of player;
- (b) air fares and taxi fares for two parents to visit players less than 18 who relocate to another state;
- (c) bereavement assistance up to \$2,000;
- (d) an effective 50 per cent discount for the payment of veteran players;
- (e) extra payments for a rookie who replaces a listed player due to injury;
- (f) payments per Additional Service Agreements for players who do promotions/marketing for sponsors to a value per club for each season of
  - 2007 - \$485,000
  - 2008 - \$519,000
  - 2009 - \$537,000
  - 2010 - \$555,000
  - 2011 - \$573,000;
- (g) testimonial payments
- (h) match payments for finals per player's contract rates or a finals' allowance determined by the AFL, whichever is higher;
- (i) cost of air fare for one person per player to attend the Grand Final;
- (j) 50 per cent of the cost of rookie players nominated on to the playing list in lieu of veteran players;
- (k) living expenses of a player required to relocate (via the internal draft) to a new club;
- (l) prizemoney for qualifying for the finals of \$1.1 million per year; and

(m) payments to the first five picks in the external draft, of \$10,000 to pick 1, \$5,000 each to picks 2 and 3 and \$2,500 to picks 4 and 5.

The AFL also makes payments to the AFLPA for the benefit of players. The most important of these is a payment to aid players in their retirement. Over the life of the 2007-2011 CBA this increased from \$6.4 million (for the three years 2007-2009) to \$7.56 million (for 2010 and 2011). There are also payments from a licensing and marketing agreement which has increased from \$0.7 million to \$1.7 million a year. These payments are fully distributed to players. The AFLPA informed me that of the 2010 funds it received from the AFL under the CBA for operational expenses, it allocated \$1.65 million to Player Development Programs, \$900,000 to administration and finance and \$550,000 to industrial and membership relations.

Tables Eight and Nine provide information on Total Player Payments as a percentage of the AFL and clubs' Total Football Revenue for various years (mainly the period 2006 to 2011 - the latter two years being based on an assumption of a five per cent increase in Total Football Revenue), percentage changes in both for the period 2001 to 2011 and a shortfall or overpayment if players received a 25 per cent share of revenue over these years. Table Eight includes data on the various forms of payment that accrue to players. It reveals that, Total Player Payments as a share of Total Football Income has, and is increasingly, falling. In 2001 players received a 27.5 per cent share. By 2006 it had fallen to 23.0 per cent. For the 2010 season it is estimated to be 20.82 per cent, and for 2011 to fall again to 20.36 per cent.

**Table Eight**

**Revenue And Player Payments And Percentage Share Of AFL  
Revenue: Various Years**

	2001	2006	2007	2008	2009	2010	2011
AFL Revenue	116.60	215.22	284.79	302.14	303.45	318.62	334.55
Club Revenue	256.05	356.70	398.90	443.30	453.58	476.26	500.07
<b>Total Football Revenue</b>	<b>372.65</b>	<b>571.92</b>	<b>683.59</b>	<b>745.44</b>	<b>757.03</b>	<b>794.88</b>	<b>834.62</b>
Total Player (Cap) Payments	83.0	103.5	111.10	118.90	123.10	127.20	131.40
Other Player Payments	13.74	20.36	21.81	23.21	24.12	24.40	24.70
AFLPA / PRA & Other Benefits	5.74	8.13	12.56	12.96	13.76	13.86	13.86
<b>Total Player Payments</b>	<b>102.48</b>	<b>131.99</b>	<b>145.47</b>	<b>155.07</b>	<b>160.98</b>	<b>165.46</b>	<b>169.96</b>
% of Football Revenue	27.50%	23.08%	21.28%	20.80%	21.26%	20.82%	20.36%

Source: Information sourced from AFL annual reports and supplied by AFLPA. Income in \$ million. Revenues are gross. Club Revenue is net of AFL distributions. An assumption of 5% increase in Total Football Revenue for 2010 and 2011. Other Player Payments comprise finals, relocation, living and other allowances, retention and cost of living allowances & injury, veterans' allowances and Additional Service Agreements. 2011 data is based on a 16 team competition. Inclusion of the Gold Coast will increase both revenue and payment streams.

**Table Nine**

**Percentage Changes In AFL Revenue And Total Player Payments  
And Shortfall/Overpayment If Share 25%: 2000 To 2011**

Year	Percentage Change In Total Football Revenue	Percentage Change In Total Player Payments	Shortfall/ (Overpayment) If TPP 25% Share Of TFR
2000	8.32%	15.30%	(\$4.72m)
2001	5.75%	10.40%	(\$9.32m)
2002	14.58%	8.06%	(\$3.99m)
2003	5.01%	5.70%	(\$4.96m)
2004	8.77%	6.70%	(\$2.96m)
2005	9.71%	2.54%	\$5.71m
2006	6.88%	3.07%	\$10.99m
2007	19.53%	10.21%	\$25.43m
2008	9.05%	6.60%	\$31.29m
2009	1.55%	3.81%	\$28.28m
2010	5.00%	2.78%	\$33.26m
2011	5.00%	2.72%	\$38.70m
			Total:\$147.54m

Source: Information sourced from AFL annual reports and supplied by AFLPA. An assumption of 5% increase in Total Football Revenue for 2010 and 2011.

Table Nine provides a more stark depiction of the declines in revenue experienced by players in the AFL. In the period 2000 to 2003, percentage changes in Total Player Payments outstripped increases in Total Football Revenue. Since then, the reverse has occurred, except for 2009, the year of the Global Financial Crisis. More alarmingly, in 2005, 2006, 2009 and projections for 2010 and 2011, increases in Total Player Payments have been less than the four per cent which obtained by the broader



workforce, **The Australian Standard** (see above Table Five). Table Nine also includes calculations on the shortfall or overpayment if Total Player Payments had been 25 per cent of Total Football Revenue. For the period 2000 to 2011 there has been an accumulated shortfall of \$147.54 million. If we take the period of the last two CBAs (2003-2008 and 2007-2011), this figure increases to \$171.19 million. This amount will be called **The 25 Per Cent Shortfall**.

Table Eight reveals that the players' share of income for 2010 and 2011 will be 20.82 and 20.36 per cent respectively. This begs the question; however, what should be an appropriate share that players receive? In 2001 players received a 27.50 per cent share.

## Rugby League

Like the AFL, the National Rugby League (NRL) operates a 16 team competition. It has a simpler set of employment rules in comparison to the AFL. The NRL has free agency, a standard roster of players, minimum salaries and a salary cap. The salary cap, and its strict enforcement, is the mainstay of the NRL's employment rules. Each club has a standard roster of 25 players. The first 17, over the life of the (registered) 2006-2010 CBA,<sup>12</sup> are entitled to a Minimum Remuneration Package of \$55,000, per annum. The next 8 are entitled to a package of \$52,500, per annum. A player outside the top 25, who trains for a cumulative period of more than 6 weeks, is entitled to a package of \$25,000.

Players outside the top 25, who train for 6 weeks or less, are entitled to a minimum payment of \$300 per week, provided this amount is not in addition to any entitlement of the player under his playing contract. Depending on this contract that such players have, which may be with another non NRL rugby league club, this latter amount may be less than the minimum adult wage of \$569.90, established by Fair Work Australia, in June 2010.<sup>13</sup> These minima do not envisage any increases over the life of the CBA and are substantially inferior to those that operate in the AFL (see above). There is a cap of \$350,000 per club, on these 'second tier' payments for players additional to the 25 standard rosters.

Table Ten provides information on the salary caps and percentage increases for the period 2007 to 2010, per Rugby League's current CBA. The CBA of 2007 to 2010 increased the cap by 9.11 per cent for 2007. In seasons 2008 and 2009 the cap was

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<sup>12</sup> The NRL has in operation a registered and an unregistered CBA: the Rugby League Players (NRL) Collective Agreement 2006-2010 and the Unregistered Agreement Between National Rugby League and Rugby League Professionals Association [November 2006- October 2010].

<sup>13</sup> Fair Work Australia, *Annual Wage Review 2009-2010* [2010] FWAFB 4000.

increased in both years by \$100,000, or 2.5 and 2.44 per cent respectively. There was no increase for 2010. For players of these years, the increase in their cap payments is less than the 4 per cent **Australian Standard**.

**Table Ten**

**Salary Caps And Percentage Increases In Rugby League: 2007 - 2010**

Year	Amount Per Club	Percentage Increase
2007	\$4.00 million	9.11%
2008	\$4.10 million	2.50%
2009	\$4.20 million	2.44%
2010	\$4.20 million	0.00%

Source: Unregistered Agreement Between National Rugby League and Rugby League Professionals Association 2005 [2005-2006]; and Unregistered Agreement Between National Rugby League and Rugby League Professionals Association [November 2006-October 2010].

Under the 2007-2010 CBA, the following extra payments are provided to and/or for the benefit of players:

- (a) third party agreement allowance of \$150,000 per club;
- (b) representative payments;
- (c) \$528,000 per year for players' education and welfare (this amount was increased subsequently – see Table Eleven below);
- (d) an insurance policy for death or permanent disability up to \$500,000;
- (e) prizemoney for premiership winners.

The agreement is silent on removal expenses and testimonials, payments available to AFL players, which are allowed under the NRL's Salary Cap Rules. The NRL Standard Player Contract (SPC) requires players to maintain a passport for international travel. The major differences between the AFL and NRL are the

payments for parents to visit players less than 18 who, via the external draft, are required to move interstate, bereavement assistance, extra payments for rookies who replace listed players who are injured, and extra payments for the top five picks in the draft. Two of these benefits – visits by parents and payments for top picks – stem from the operation of the draft and are not relevant to Rugby League. In addition, the NRL does not have provision for payments to players who participate in the finals. This is a major omission. If nothing else, it helps to explain the kerfuffle surrounding the Melbourne Storm's salary cap breaches. Finally, NRL players are required to take out their own health and medical insurance.

In June 2010, the NRL announced changes to the salary cap for 2010; changes ahead of any negotiations with the Rugby League Players' Association. They were an increase in the club salary cap by \$100,000 to \$4.3 million, extra payments (third party deals) for marquee players by \$150,000 to \$300,000 per club, an exemption from the salary cap for the use of three cars, an increase in representative payments, relaxation of injury payment rules, and a commitment for salary cap exemptions for veterans, enhancing the ability of players to use their image rights and travel concessions for family members to attend milestone games.<sup>14</sup> If we add the increases in the salary cap and third party deals together, this represents an increase of 5.95 per cent in the income available to players in 2010. This will be the first increase since 2007 above the **Australian Standard**.

Information is provided on player payments as a percentage of Total Game Revenue, in the NRL, for 2005/06 to 2009/10. The players' share of revenue has been fairly stable over these years. Other than for 2005/06 when the share was 20.22 per cent, Rugby League players have received somewhere between 22 and 23 per cent of

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<sup>14</sup> NRL Media Release, NRL club CEOs support Salary Cap lift, 22 June 2010.

revenue. These figures are 1 to 2 per cent higher than the share received by AFL players for the same period (see Table Eight above).

**Table Eleven**

**Revenue And Player Payments As A Percentage Of NRL Revenue:  
2005/6 to 2009/10**

	2005/6	2006/7	2007/8	2008/9	2009/10
NRL Revenue	137.00	138.00	142.00	146.00	157.41
Club Revenue	190.00	192.00	193.54	192.16	194.94
<b>Total Game Revenue</b>	<b>327.00</b>	<b>330.00</b>	<b>335.54</b>	<b>338.16</b>	<b>352.35</b>
Club Player Payments	62.91	66.62	68.20	69.35	69.35
Club Player Retirement Payments	1.28	1.28	1.28	1.28	1.28
Third Party Payments	1.60	2.00	2.05	2.50	3.10
Representative Player Payments	.90	1.88	1.88	2.00	2.00
Rep. Player Retirement Payments	.025	.80	.80	.80	.80
RLPA		.32	.32	.32	.32
Education and Welfare	.45	.70	.73	.85	.85
Medical Insurance					
Player Testimonial (Club)					
Players' Prizemoney	.25	.25	.25	.25	.25
<b>Total Player Payments</b>	<b>66.13</b>	<b>73.85</b>	<b>75.50</b>	<b>77.87</b>	<b>78.47</b>
% of NRL Revenue	20.22%	22.37%	22.50%	23.03%	22.27%

Source: Information supplied by RLPA. Income in \$ million. Club Revenue is net of NRL distributions to clubs. The Club Revenue for 2005/6 and Total Game Revenue for 2009/10 are estimates. Note that payments for education and welfare are higher than specified in the CBA (see above); they were increased by agreement between the parties.

In a recent newspaper article, Roy Masters revealed that the State of Origin Series generated approximately \$23 million for the NRL – gate takings of \$10 million and TV rights of approximately \$13 million<sup>15</sup> (There may also be other revenue from sponsorships, catering/dinners and merchandising). If we can assume that this data was for the 2010 Series, we can compare it with the income paid to players and funds paid into the retirement fund of representative players for 2009/10 to determine an approximate share of the revenue received by representative players (International fixtures may qualify the following calculation, in that the payments for State of Origin players is overstated and the income from representative fixtures would be higher than the \$23 million identified by Roy Masters). Players received \$2 million for playing and \$0.8 million was paid into the retirement account. This means players received \$2.8 of the \$23 million generated by the State of Origin. This is a share of 12.17 per cent. This is substantially below the revenue share for the NRL as a whole (see above). Representative players are substantially underpaid compared to NRL players as a whole and/or they are involved in a substantial cross subsidisation of the code. For them to receive the same share as the ‘global’ figure for NRL players would involve almost a doubling in their payments.

NRL players receive a slightly higher share of revenue than AFL players. The NRL operates a ‘harder’ salary cap than the AFL. As the NRL players’ share of revenue is relatively low – at 22 to 23 per cent – as is the AFL’s, there is scope for it to be increased at little risk to the overall financial viability of the code.

The NRL operates a standard roster of 25 players, with provisions for ‘second tier’ players to fill vacancies due to injuries or for other reasons. Payments for such players range from a minimum of \$25,000 for players who train cumulatively for more than

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<sup>15</sup> Roy Masters, ‘Queensland can bank on success after cutting off Blues’ cash flow’, *The Sydney Morning Herald*, 9 July 2010, p. 39.

six weeks and \$300 a week for those who train less than six weeks, provided that this amount is not in addition to any entitlement of the player under his playing contract. The former figure is less than the annual minimum wage of \$26,617 (\$511.86 a week by 52) established by the Australian Fair Pay Commission in October 2006.<sup>16</sup> This decision was handed down before the 1 November 2006 commencement of Rugby League's Unregistered 2006-2010 CBA. And the \$25,000 is less than the \$29,635 (\$569.90 by 52) annual adult minimum wage of Fair Work Australia's June 2010 decision (see above). The income paid to players who train for six weeks, subject to any contract they have with a rugby league entity, may be below current minimum wage levels.

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<sup>16</sup> Australian Fair Pay Commission, Wage Setting Decision and Reasons for Decision, October 2006.

## Cricket

Cricket in Australia operates at two levels. There are games which involve an Australian team in various international competitions and domestic matches between six state based teams. There are indications that the Big Bash (state) Twenty20 competition may be expanded to an eight team competition. Cricket's Memorandum of Understanding (MOU) distinguishes between two generic types of players. The first are 25 players who are employed under Cricket Australia (CA) contracts. They are the players who represent Australian teams. The second are players who are employed on State Player contracts. This second category is broken down into three components. They are:

- (a) 16 to 20 players;
- (b) 3 to 8 Rookie players, with a Rookie being defined as a player less than 23; and
- (c) 1 overseas or former Australian player specifically for the Big Bash competition.

In the event of a State player being selected in an Australian team to play and/or tour the player will receive an extra payment of \$5,000, plus appropriate match fees etc paid to CA contracted players.

The courts have established the right of players to change the State they can play for free of restrictions, residential qualifying periods and compensation before taking up employment.<sup>17</sup> Despite this ability to switch employment between State teams, CA effectively operates as a monopsonist, a single buyer in the cricket labour market.

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<sup>17</sup> *Nobes v Australian Cricket Board* (unreported Vic SC, 16 December 1991, BC9102902).



The wages and other entitlements players receive, under the MOU, is regulated by a model where players receive a share of what is called Australian Cricket Revenue (ACR). The first such agreement envisaged a share of 20 per cent up to \$60 million, and 25 per cent of revenue above that figure. Subsequent agreements have pushed that figure to 25 per cent, and the most recently completed agreement, for 2009/10 to 2010/11, to 26 per cent.

A key to this agreement is the notion of ACR. The MOU devotes five pages to defining the meaning of ACR. In summary form, ACR comprises the following components:

- (a) sponsorship rights, excluding agents' costs;
- (b) media rights [broadly defined]<sup>18</sup>, excluding agents' costs;
- (c) internet subscriptions, excluding agents' costs;
- (d) compensation from other national cricket authorities where tours involving Australian teams are of unequal length;
- (e) International Cricket Conference (ICC) payments;
- (f) 70 per cent of ticket sales, excluding fees payable to ticket agencies;
- (g) 70 per cent of car parking revenue;
- (h) 85 per cent of revenue received or receivable from Cricket Related Membership Fees;
- (i) all monies received by State Associations for sale of merchandise and licensed products;
- (j) revenue from the sale of signage and corporate suites [minus various deductions depending on different sets of circumstances];
- (k) catering income [subject to different arrangements];

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<sup>18</sup> Material in square brackets [ ] is my inclusion.

- (l) net income from fund raising activities;
- (m) rental income;
- (n) net investment income, excluding specific funds established under the agreement for the benefit of players and costs of borrowings;<sup>19</sup>
- (o) revenue received for travel services, excluding agents' costs;
- (p) betting agency income; and
- (q) monies received from insurance payouts in relation to items a – p [subject to various qualifications].

The MOU values contra at an equivalent market rate. In addition, it also specifically excludes the following items from inclusion in calculations of ACR. They are:

- (a) income from women's cricket;
- (b) government grants related to such things as junior development;
- (c) income from sale of fixed assets;
- (d) income from insurance claims not contemplated in (q) above;
- (e) bequests and donations indicating a specific purpose related to Australian cricket;
- (f) discounts received on goods and services purchased;
- (g) income from CA/ACA joint ventures;
- (h) income from other sources as agreed;
- (i) income from Chairman's match at Lilac Hill;
- (j) adjustments due to changes in applicable Financial Reporting Standards;
- (k) ICC payments paid for the direct benefit of players for ICC events;
- (l) prize money or payments for the benefit of players from overseas tours; and
- (m) income from merchandising and licensing activities.

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<sup>19</sup> The definition of net investment income is more than one a page long.

The MOU establishes minimum retainers and a schedule of match fees for different forms of the game for both CA and State contracted players. They are reproduced in Tables Twelve to Sixteen.

Tables Twelve and Thirteen provide information on the level of minimum retainers and match fees for 2005/06 to 2010/11, per Cricket's two most recent MOUs. Minimum retainers have grown by almost 45 per cent over these years. The increase in match fees has been less spectacular. The major difference between the two MOUs has been the inclusion of payments for Twenty20 games, which have been a recent phenomenon in the world of cricket. The MOUs have also included payments for Australia A (a second CA team), which are presented in Table Fourteen.

### **Table Twelve**

#### **Minimum Retainers For Cricket Australia Contracted Players: 2005/06 to 2010/11**

Year	Minimum Retainer
2005/06	\$145,000
2006/07	\$150,000
2007/08	\$155,000
2008/09	\$160,000
2009/10	\$190,000
2010/2011	\$210,000

Source: Memorandum[s] of Understanding Between Cricket Australia and Australian Cricketers' Association [2005/06 to 2008/09]; and [2009/10 to 2010/11].

**Table Thirteen**

**Match And Tour Fees (Per Player) For Cricket Australia Contracted Players: 2005/06 to 2010/11**

Year	Test Match	One Day International	Twenty20
2005/06	\$12,250	\$4,900	
2006/07	\$12,250	\$4,900	
2007/08	\$12,750	\$5,100	
2008/09	\$12,750	\$5,100	
2009/10	\$13,250	\$5,300	\$3,975
2010/2011	\$13,500	\$5,400	\$4,050

Source: Memorandum[s] of Understanding Between Cricket Australia and Australian Cricketers' Association [2005/06 to 2008/09]; and [2009/10 to 2010/11].

**Table Fourteen**

**Match Fees (Per Player) For Australia A Players: 2005/06 to 2010/11**

Year	4 Days	3 Days	1 Day	Twenty20
2005/06	\$6,200		\$3,100	
2006/07	\$6,200		\$3,100	
2007/08	\$6,400		\$3,200	
2008/09	\$6,400		\$3,200	
2009/10	\$6,400	\$4,800	\$3,200	\$2,400
2010/2011	\$6,400	\$4,800	\$3,200	\$2,400

Source: Memorandum[s] of Understanding Between Cricket Australia and Australian Cricketers' Association [2005/06 to 2008/09]; and [2009/10 to 2010/11]

Table Fifteen provides information on the level of minimum retainers for State and Rookie contracted players, for 2005/06 to 2010/11. The most recent MOU has lifted the relative position of Rookies, vis a vis State players. Table Sixteen shows the scale of match fees for State players, for different categories of games. In addition, the MOUs have contained payments for players chosen for Second XI fixtures. Daily playing fees were set at \$190 for 2005/06 and 2006/07, \$200 for 2007/08 and 2008/09 and \$220 for 2009/10 and 2010/2011.

**Table Fifteen**

**Minimum Retainers For State And Rookie Players: 2005/06 to  
2010/11**

Year	State Contracted Players	Rookies
2005/06	\$34,000	\$10,000
2006/07	\$36,000	\$10,500
2007/08	\$38,000	\$11,000
2008/09	\$40,000	\$11,500
2009/10	\$48,000	\$16,000
2010/2011	\$52,000	\$18,000

Source: Memorandum[s] of Understanding Between Cricket Australia and Australian Cricketers' Association [2005/06 to 2008/09]; and [2009/10 to 2010/11].

## Table Sixteen

### Match Fees For State Players: 2005/06 to 2010/11

Year	Shield	One Day	Twenty20	Tour 4 Day	Tour 3 Day	Tour 2 Day	Tour 1 Day
2005/06	\$3,300	\$1,150		\$3,300	\$2,475	\$1,650	\$1,150
2006/07	\$3,300	\$1,150		\$3,300	\$2,475	\$1,650	\$1,150
2007/08	\$3,500	\$1,200		\$3,500	\$2,625	\$1,750	\$1,200
2008/09	\$3,500	\$1,200		\$3,500	\$2,625	\$1,750	\$1,200
2009/10	\$3,900	\$1,400	\$1,050	\$3,900	\$2,925	\$1,950	\$1,400
2010/2011	\$4,200	\$1,500	\$1,125	\$4,200	\$3,150	\$2,100	\$1,500

Source: Memorandum[s] of Understanding Between Cricket Australia and Australian Cricketers' Association [2005/06 to 2008/09]; and [2009/10 to 2010/11].

Under Cricket's MOUs, players are entitled to receive a stipulated share of revenue. For operational or forward budgeting reasons, CA and the Australian Cricketers' Association (ACA) make an estimate of this revenue, with adjustments (credits) or shortfalls (over shooting) and have adopted a 'smoothing process' to enable various retainers and match payments to increase annually. Table Seventeen presents such information for 2005/06 to 2010/11.

## Table Seventeen

### Australian Cricket Revenue And Player Payment Pool: 2005/06 to 2010/11

Year	Estimated ACR	Actual ACR	ACR Variation	Agreed PPP %	PPP \$	Actual PPP %
2005/06	\$101 m.	<b>\$102,931,027</b>	\$1,931,027	25%	\$28,290,628	27.5%
2006/07	\$124 m.	<b>\$162,392,375</b>	\$38,392,375	25%	\$28,984,060	18%
2007/08	\$144 m.	<b>\$172,259,759</b>	\$28,259,759	25%	\$28,966,354	17%
2008/09	\$109 m.	<b>\$151,660,859</b>	\$42,260,859	25%	\$35,808,938	24%
2009/10*	\$163 m.			26%	\$47,506,215	29%
2010/11*	\$202 m.			26%	\$47,393,785	23%

Source: Information supplied by ACA. \* Forecast estimates.

It reveals that ACR has doubled in six years. It also shows that estimated ACR has increasingly fallen behind actual ACR. Movements up and down in estimated and actual revenue, from year to year, are explained in terms of differences in the nations that Australia play against (a home based Ashes Series will help the bottom line) and the intensity of the playing schedule. The table does not incorporate adjustment incomes paid to players over this period. For both 2005/06 and 2006/07, an extra \$2.5 million was paid. In October 2009, players received an additional adjustment of \$20,261,051, for underpayments from 2006/05 to 2008/09. Payments into the Player Payment Pool (PPP), then, for these years should be increased from \$122,049,980 to \$147,311,031, an increase of 20.70 per cent.

**Table Eighteen****General Player Payments In Cricket: 2008/09 to 2010/11**

	2008/09	2009/10	2010/11
<b>Total Player Payment Pool</b>	<b>\$35,808,938</b>	<b>\$47,506,215</b>	<b>\$47,393,785</b>
ACA	\$300,000	\$425,000	\$440,000
Health Insurance		\$60,000	\$60,000
ACA Career & Welfare	\$230,000	\$330,000	\$430,000
State & Welfare Manager Payments	\$120,000	\$210,000	\$240,000
Injury/Rest/Compensation	\$230,000	\$1,400,000	\$1,837,000
Medical & Gap Payments		\$200,000	\$200,000
Game Development		\$250,000	\$250,000
Marketing Contracts*		\$2,800,000	\$3,100,000
CL T20 Cancellation Payment			\$274,700
All Star Match			\$356,200
<b>'Net' Player Payment Pool</b>	<b>\$34,928,938</b>	<b>\$41,831,215</b>	<b>\$40,205,855</b>

Source: Information supplied by ACA. \* Marketing contracts are included in payments to CA players.



## Table Nineteen

### Cricket Australia Payment Pool Details: 2008/09 to 2010/11

	2008/09	2009/10	2010/11
<b>CA Player Payment Pool</b>	<b>\$19,557,189</b>	<b>\$23,641,975</b>	<b>\$21,478,403</b>
Excess Baggage Contribution		\$80,000	\$80,000
Partners/Families		\$500,000	\$350,000
CA Match/Tour Fees	\$6,196,260	\$8,544,475	\$5,683,750
CA Player Contract Pool	\$11,445,945	\$18,189,240	\$18,727,455
Prizemoney	\$280,000	\$300,000	\$300,000
Contingency-Injury/Rest Pay	\$90,382		
Contingency-Contract Upgrades	\$360,000	\$462,500	\$500,000
Contingency-Other	\$50,000	\$50,000	\$50,000
Superannuation	\$393,593	\$430,000	\$450,000
Retirement Account	\$466,000	\$750,000	\$750,000
Captain's Allowance	\$275,000	\$300,000	\$315,000
Marketing Contract Pool		\$2,800,000	\$3,100,000

Source: Information supplied by ACA.

**Table Twenty**

**State Player Payment Pool Details: 2008/09 to 2010/11**

	2008/09	2009/10	2010/11
<b>State Player Payment Pool</b>	<b>\$15,371,749</b>	<b>\$18,189,240</b>	<b>\$18,727,455</b>
State Match Fees	\$4,498,020	\$5,177,240	\$5,319,265
State Player Retainer Pool	\$7,574,934	\$8,400,000	\$8,868,190
Prizemoney	\$550,000	\$1,000,000	\$800,000
Contingency-Injury/Rest Pay	\$216,795		
Contingency-Contract Upgrades	\$792,000	\$1,152,000	\$1,200,000
Contingency-Other	\$60,000	\$240,000	\$240,000
Superannuation	\$1,210,000	\$1,420,000	\$1,500,000
Retirement Account	\$470,000	\$800,000	\$800,000

Source: Information supplied by ACA.

Under the MOU, funds are set aside for general player welfare measures, the operation of the ACA and other 'general' items. Once these monies have been deducted from the players' share of ACR (25 per cent under the previous, and 26 per cent the current, MOU), Total Player Payments are further divided, with 55 per cent allocated to CA and 45 per cent to State (and Rookie) contracted players. These details are contained in Tables Eighteen to Twenty.

Table Eighteen shows that 'general' payments are allocated to the operational needs of the ACA, health insurance, player career training and welfare, injury and rest compensation, medical payments, game development, marketing contracts and other one off matters. The marketing contracts are included in the payments for CA contract payments.

CA contract payments, as shown in Table Nineteen, are broken down into special payments for extra baggage, travel and accommodation costs of partners and families during the Christmas-New Year break and 'long' overseas tours, match fees, retainers, prizemoney, various forms of contingency pay, superannuation, a retirement account, a captain's allowance and marketing contacts. Table Twenty provides details on payments to State contracted players. It covers payments for match fees, retainers, prizemoney, contingency pay, superannuation and a retirement account.

### Female Players

In early 2008, the ACA altered its rules to encourage female players to become members and established a committee to negotiate on their behalf. In 2008/09, CA and the ACA introduced Female Player Contracts for the Southern Stars squad. Level A players receive a retainer of \$15,000 a year, Level B \$10,000 and Level C \$5,000. When on tour, players are paid \$700 a week (\$100 a day), in addition to a daily allowance. There is also scope for (it appears two) Southern Star and state players to apply for Ambassador roles to promote women's cricket. In 2008, CA agreed to set aside \$120,000, from the Kerry Packer Cricket Foundation for educational scholarships over two years. The ACA has also secured \$75,000 for the education and training of female players under the auspices of its more general career and welfare program.<sup>20</sup> This appears to be funds additional to those contained in the (male) MOU for 2009/10 to 2010/11.

Four issues are associated with the construction of revenue sharing models. They are the definition of what items are included/excluded as constituting income, the share that accrues to players, what items of expenditure involving players should be

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<sup>20</sup> Australian Cricketers' Association Member Handbook 09-10, p.50.

included/excluded in whatever share determined, and questions concerning particular issues/items.

Leagues maintain they need extra income for the pastoral role they play in the growth of their respective codes. Table Eighteen 'says' CA contract players will receive annual payments of \$250,000 for 'Game Development' in both 2009/10 and 2010/11. No definition has been provided of 'Game Development' in either the MOU or SPC. 'Game Development' has the appearance of being something that is consistent with CA's pastoral role. Given that CA has such a large proportion of income to devote to things other than paying players, payments for 'Game Development' should be in addition to the 26 per cent share that players receive under the MOU. On the basis of arrangements in other sports, there may be other items included in the 26 per cent share, which should be 'moved out' and be considered as an additional payment.

Table Fifteen presents information on the minimum retainers paid to Rookies, who the MOU defines as persons less than 23. Rookies, it should, also be noted, can receive match payments as specified in Table Sixteen. It is conceivable that a Rookie who plays in such games, together with his retainer, could receive total income over and above the annual adult minimum wage of \$29,635, established by Fair Work Australia in June 2010 (see above). Then again, he might not.

## **Rugby Union**

Rugby Union operates at two levels. It has 4 State teams that are involved in a Super 14 team competition, which involves 5 teams each from New Zealand and South Africa. In 2011 this competition will expand to 15 teams, with the inclusion of a fifth Australian team, the Melbourne Rebels. The best players from the State teams are chosen to represent the Wallabies, in a variety of internationals. The most important of these are a Tri-Nations series against New Zealand and South Africa, and Rugby's World Cup held every four years.

Rugby Union is similar to Cricket in that it operates as a monopsony. Players sign a SPC where they agree to play with both their State Union and the Australian Rugby Union's (ARU) team, the Wallabies. Players are free to play with the State Union of their choice. Rugby's CBA also includes an Anti-collusion clause which says

Clause 20: No Rugby Body, its employees or agents, shall enter into any agreement or arrangement, express or implied with any other Rugby Body, its employees or agents, to restrict or limit an individual Rugby Body on whether to negotiate or not to negotiate with any Player.

Irrespective of this clause, the ARU and the state unions have instituted an arrangement whereby if a State Union wishes to pay a player more than \$110,000 per annum, that it needs to obtain a 'top up' from the ARU. This figure of \$110,000 was introduced at approximately the same time as the introduction of Rugby's first CBA in 1997. As I understand it, this figure has never been increased.

Rugby's CBA is similar to that of Cricket's. Under the 2005-2008 CBA (it contains a clause whereby it can be extended - see below - and it is still operative) 120 players of 3 teams (40 a team) received a 25 per cent share of Gross Player Revenue (GPR), or a stipulated amount (see Table Twenty One), whichever was higher; and for the 2006,

2007 and 2008 seasons, 132 players of 4 teams (33 a team) received 26 per cent of PGR, or a stipulated amount, whichever was higher. These are ‘global’ figures for both State and Wallaby/National players. They are not distinguished like Cricket (see above). To the extent that the ARU and the Rugby Union Players’ Association (RUPA) did not negotiate a new CBA, then the terms of the 2005-2008 CBA could be extended for a further six years (to January 2016), with the proviso that major clauses concerning ‘money matters’ would be adjusted according to changes in the Consumer Price Index (CPI). This is defined as the CPI increase as published in the March quarter in the year before it ‘needs’ to be utilised. They were 4.2 per cent for March 2008 (the 2009 adjustment), and 2.5 per cent for March 2009 (the 2010 adjustment).<sup>21</sup>

### **Table Twenty One**

#### **Minimum Global Payments to Australian Rugby Players: 2005 to ‘10**

Year	Amount
2005	\$22,180,000
2006	\$25,000,000
2007	\$25,750,000
2008	\$26,500,000
2009	\$27,613,000*
2010	\$28,303,325*

Source: Australian Rugby Collective Bargaining Agreement Mark III [2005-2008]

\* My Estimate.

The CBA specifies that if total payments to players are less than the amounts above, the shortfall shall be distributed to players on a pro rata basis. Such ‘top up’ payments

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<sup>21</sup> Australian Bureau of Statistics, Consumer Price Index, Catalogue No. 6401.1, March Quarter 2008; March Quarter 2009.

have been paid into a Retirement Fund for players administered by RUPA.<sup>22</sup> The CBA also identifies items that are included and not included in the definition of GPR. The former include all revenue ‘derived directly in connection with Matches’ including the following:

- (a) cash and contra sponsorship as valued in sponsorship agreements;
- (b) broadcasting, including but not limited to third generation technology;
- (c) hospitality including gross profit from corporate customers;
- (d) licensing;
- (e) travel including gross profit from travel agents;
- (f) memberships;
- (g) membership rebates;
- (h) yearly membership rates less subscriptions paid to relevant stadia;
- (i) car parking;
- (j) fundraising for Academy [junior] players; and
- (k) government grants for hosting matches.

It also includes the following sources on a net income basis only:

- (a) gate takings less all direct costs including:
  - (i) stadium rental;
  - (ii) venue on-costs;
  - (iii) event costs;
  - (iv) ticketing charges and credit card fees;
  - (v) pre-match entertainment;
  - (vi) transport levies paid to government/transport bodies;
  - (vii) team costs, including visiting teams;

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<sup>22</sup> Rugby Union Players’ Association Annual Report 2006, pp. 6-7.

(viii) match fees paid by a Rugby Body to a visiting team participating in a match; and

(ix) signage costs not recovered from sponsors.

Items not included in GPR are:

- (a) government grants not directly connected with matches;
- (b) International Rugby Board (IRB) grants;
- (c) interest received;
- (d) rent received;
- (e) foreign exchange gains or losses;
- (f) insurance proceeds;
- (g) capital proceeds from membership sales not brought to account by the Rugby Bodies during each relevant year;
- (h) revenue from coaching courses and sales or resources;
- (i) State/Territory and various other competitions;
- (j) sponsorship of referees' and officials' programs;
- (k) Australian Rugby Shield or successor competition [a lower tier competition];
- (l) management fees received from other Rugby Bodies outside Australia;
- (m) grants from other Rugby Bodies;
- (n) sponsorship of community Rugby programmes;
- (o) affiliation fees; and
- (p) proceeds from any legal action not related to GPR.



The CBA also contains provision for 'new' revenue sources that had not been contemplated within this definition to be the subject of negotiation between the parties. If they were unable to reach an agreement, the matter would then be handled per the Grievance Procedure contained in the CBA.

For 2005 the three State teams – Waratahs (New South Wales), Reds (Queensland) and Brumbies (Australian Capital Territory) – had squads of 40 players. From 2006 on they, plus a fourth team, the Western Force (Western Australia), had squads of 33 (The Melbourne Rebels (Victoria) will be the fifth team in 2011). The CBA specifies that of the 33 players no more than 30 must be employed on a SPC, and no more than five on a Rookie contract. Rookies are not defined in the CBA. They are understood to be young players who have the potential to be employed under a SPC. There is also provision for players to be employed on a Short Term Contract, for up to four matches, to fill in for players unavailable due to Wallaby duties or injuries. If such a player plays more than four matches he is to be upgraded to a SPC.

The CBA specifies minimum payments for these various grades of players. A Short Term player, in 2005, received a minimum payment of \$2,000 a match, with annual increases linked to the CPI. For Rookies, the annual minimum, for 2005 was set at \$35,000, with annual increases linked to the CPI. For standard contract players, the minimum for 2005 was \$49,500, again with annual CPI adjustments. The various minima, for latter players, for 2005 to 2010, are presented in Table Twenty Two.

## Table Twenty Two

### Minimum Salaries For Standard Contract Players: 2005 to 2010

Year	Amount
2005	\$49,500
2006	\$52,500
2007	\$53,000
2008	\$54,100
2009	\$56,370*
2010	\$57,780*

Source: Rugby Union Players' Association Annual Report 2008, p. 27. \* My estimate.

Returning to Table Twenty One, which specifies 'global' payments to players from 2005 to 2010, it excludes and includes various categories of income. The items excluded are;

- (a) payments to coaches and other team management;
- (b) payroll tax;
- (c) group insurance premiums;
- (d) workers' compensation premiums; and
- (e) other team management costs.

In addition, the CBA bound the ARU, in 2005, to pay \$280,000 into a Career and Training Retirement Fund for players, to be adjusted annually for CPI increases. I have not been provided with data concerning changes in the level of such payments.

## Table Twenty Three

### Payments To RUPA Under The CBA: 2005 to 2010

Year	Amount
2005	\$550,000
2006	\$575,000
2007	\$600,000
2008	\$625,000
2009	\$651,250*
2010	\$667,530*

Source: Australian Rugby Collective Bargaining Agreement Mark III [2005-2008].

\* My Estimate.

The 'global payments' which are to be paid to players include:

- (a) payments to RUPA (see table Twenty Three);
- (b) one-half of the amount paid by the ARU for Career Training, which in 2005 was \$350,000 to be adjusted for the inclusion of a new team and adjusted annually for the CPI;
- (c) commencing in 2006, up to \$500,000 per annum, adjusted for the CPI, for Academy [junior] players;
- (d) payments to Short Term Contract players;<sup>23</sup>
- (e) an annual telephone allowance of \$250, per player;
- (f) superannuation; and
- (g) medical insurance (that is, players are required to take out their own cover).

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<sup>23</sup> I have not been provided with information on changes in the levels of (b) and (c) or any information concerning (d).

The CBA also allows RUPA to raise funds from corporate golf days, lunches/dinners and sponsorships as long as they do not interfere with ARU events and arrangements/sponsorships.

### **Table Twenty Four**

#### **Revenue and Player Payments in Australian Rugby: 2005 to 2008**

Year	ARU Revenue	States' Revenue	ARU Grants To States	<b>Total Rugby Revenue</b>	Total Player Payments	% Share Of Revenue
2005	\$73.20m	\$63.08m	\$19.57m	<b>\$116.71m</b>	\$20.68m	17.72%
2006	\$79.13m	\$85.19m	\$25.56m	<b>\$138.76m</b>	\$27.70m	19.96%
2007	\$80.33m	\$85.98m	\$23.47m	<b>\$142.84m</b>	\$27.08m	18.96%
2008	\$83.30m	\$83.03m	\$23.47m	<b>\$142.86m</b>	\$28.98m	20.29%

Source: Information supplied by RUPA.

Table Twenty Four provides information on revenue and player payments, and the players' share of revenue from 2005 to 2008. Somewhere between 56 and 62 per cent of Total Rugby Revenue accrues from ARU ventures. The Table shows that the players' share of revenue in these years has hovered around 18 to 20 per cent.

## **Soccer**

Professional Footballers Australia (PFA) has negotiated separate CBAs for the A-League, the Socceroos and the Matildas, the national women's team. These CBA's make use of a salary cap, or specified payments, to players. The A-League CBA also utilises an almost common roster.

### **The A-League**

The A-League commenced operations in 2005/06 with 8 teams. Two extra teams were added for the 2009/10 season. An extra team, the Melbourne Heart will join the competition in 2010/11, and a twelfth, the Sydney Rovers, is mooted to join in 2011/12.

For its first three seasons, the A-League operated without a CBA. In 2008, a five year deal was completed. The 2008/09 to 2012/13 A-League CBA specifies that clubs must have a roster of 20 to 23 players and 'must at all times' include 3 youth players, defined as being someone less than 21, and 2 goalkeepers. The CBA distinguishes between different categories of players, who are subject to different payment and other rules. These distinctions are Youth, Foreign (for 2008/09 up to 4, and for following seasons up to 5, on a club's roster), Marquee, Under 23 Marquee, Guest (of whom one can be added to a club's roster) and Replacement (for injured) players. The salaries of a Marquee player and \$150,000, paid for up to three Under 23 Marquee players, are not included in the salary caps of clubs. In 2010/11 provision was made for a second Australian Marquee player and the employment of up to 3 national youth players on the minimum wage outside the salary cap (see below). The CBA also has provision for the payment of Additional Services Agreements (ASA). They were \$475,000 per club for 2008/09. They were decreased to \$250,000 for following seasons following their partial absorption into and increase in salary caps (see below).

The CBA also specifies minimum payments for adult (21 and over) and youth players, exclusive of superannuation and match fees (refer Table Twenty Five).

**Table Twenty Five**

**Minimum Payments A-League Players: 2008/09 to 2012/13**

Year	Adult	Under 21
2008/09	\$42,000	\$35,000
2009/10	\$45,000	\$36,300
2010/11	\$45,900	\$37,129
Thereafter	As Agreed Or Plus CPI	As Agreed Or Plus CPI

Source: The Marston, 09/10 PFA Members' Guide, p. 24; the PFA.

**Table Twenty Six**

**A-League Player Payments: 2005/06 to 2009/10**

	2005/06	2006/07	2007/08	2008/09	2009/10
A-League: Maximum Player Payments	\$12.00m	\$12.80m	\$14.40m	\$15.20m	\$22.50m
A-League: Minimum Player Payments	\$9.00m	\$10.88m	\$12.24m	\$12.92m	\$19.13m
ASAs	\$3.00m	\$3.20m	\$3.60m	\$3.80m	\$2.50m
Marquee	\$2.00m	\$2.25m	\$2.50m	\$2.75m	\$3.75m
Youth Marquee				\$1.2m	\$1.50m
Relocation, Finals etc	\$0.25m	\$0.25m	\$0.25m	\$0.50m	\$0.55m
Payments to PFA			\$0.19m	\$0.15m	\$0.15m
Total Payments: Maximum	\$17.25m	\$18.50m	\$20.94m	\$23.35m	\$30.95m
Total Payments: Minimum*	\$9.25m	\$11.13m	\$12.68m	\$13.57m	\$19.83m

Source: Information supplied by the PFA based on membership research and Collective Bargaining Agreements. \* Minimum Player Payments, Relocation Finals etc and Payments to PFA.

Table Twenty Six contains information on various categories of and total payments to players from 2005/06 to 2009/10. Under the CBA, the cap and/or payments to players for the 2011/12 and 2012/13 seasons, subject to a commitment to ‘good faith bargaining’ relating to marked changes in revenue, especially any associated with a new broadcasting agreement, will be indexed to changes in the CPI. Unlike the arrangement in Rugby Union, the CBA does not specify which particular period of changes in the CPI should be used for such calculations. The Table shows, depending on whether higher or lower levels of the cap are chosen, that total player payments have approximately doubled in 5 years.

Unlike other codes, funds have not been allocated for career training and education or for players’ retirement. Some funds are allocated to the PFA, which mainly results from arrangements contained in the Socceroos CBA (see below).

Like Australian Football and Rugby League, Soccer specifies items that are included and excluded in its salary cap. Soccer appears to have a ‘softer’ salary cap than the two other codes. The items included in Soccer’s A-League cap are:

- (a) fringe benefits tax related to player payments;
- (b) lump sum payments to a player terminating his Standard Player Contract;
- (c) payments to players on long term injury list and national team list (the latter being involved in training camps or matches);
- (d) payments to a player agent; and
- (e) the amount, if any, of remuneration to a replacement player for an injured player which exceeds payments to the player he is replacing.

Salary cap or player payments do not include:

- (a) Additional Service Agreements of \$250,000;

- (b) playing and training apparel and travel, tickets, accommodation and meals pursuant to the Standard Player Contract;
- (c) relocation expenses, ranging from \$10,000 to \$25,000 depending on family circumstances and distance;
- (d) cost of sporting injury and income protection insurance [which is paid by FFA];
- (e) share in any prize money of various competitions involving clubs other than in the A-league;
- (f) payments to Marquee, guest and replacement players;
- (g) payments to Under 23 Marquee players up to \$150,000;
- (h) shares of Transfer or Compensation fees<sup>24</sup> received by their previous club;
- (i) termination and match payments made to injured players;
- (j) payments/benefits for participating in Finals Series;
- (k) payments for participation in Asian Football Confederation matches, following specific approval by FFA;
- (l) payment, benefits or considerations to National Youth League players<sup>25</sup>;  
and
- (m) player testimonial proceeds.

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<sup>24</sup> Under FIFA's employment rules clubs can receive a Transfer fee for a player who 'transfers' to a new club during the life of his contract; and a compensation fee for a player out of contract who is less than 23. At the national level these rules can be modified by CBA negotiations between the parties, as has occurred in Australia. They nonetheless apply with respect to international movements.

<sup>25</sup> The CBA contains provisions governing the operation of a National Youth League, which essentially operates as an amateur competition.



## Table Twenty Seven

### Revenue, Player Payments and Players' Share of Revenue: 2009/2010

<b>A-League Revenue</b>	<b>Amount</b>
Estimated Combined FFA A-League and A-League Club Revenue	\$64.57m
Minimum Player Payments	\$19.83m
Maximum Player Payments	\$30.95m
Minimum Player Share	30.07%
Maximum Player Share	47.93%
85% Maximum Player Share	40.73%

Source: Information supplied by PFA based on membership research and Collective Bargaining Agreements.

By combining information on FFA's A-League revenue with data on A-League player payments for that year contained in Table Twenty Six, it is possible to determine an approximation of the share of revenue received by A-League players for 2009/10.

Table Twenty Seven reveals that for 2009/10, the PFA estimates the combined FFA A-League and A-League Club revenue was \$64.57 million. Depending on whether Minimum or Maximum total payments to players are used, the players' share of revenue for 2009/10 was between 30 and 48 per cent. This is a wide range. If clubs, on average, paid players 85 per cent of the amount included for Maximum Player Payments, then their share of revenue would be equal to 40.73 per cent.

## The Soccerroos

The PFA and FFA entered into a CBA for the Soccerroos for the period 2006 to 2010; the four year cycle of the World Cup. The CBA specifies payments, including how any prize money should be shared, in friendlies, the Asian Cup, World Cup qualifiers and the World Cup itself. Players are also entitled to receive additional payments from their commercial involvement, licensing and sponsor bonuses. I doubt if any major service would be served by identifying the various payments involved for the numerous different matches that have been envisaged under the Soccerroos' CBA. The levels of payment increase according to the 'importance' of the matches played; with the apex of such payments being associated with the World Cup. Table Twenty Eight provides 'global' information on payments, with one exception. Under the CBA, the Soccerroos have agreed, as they have since the formation of the PFA, to allocate 10 per cent of their pay to the PFA, up to \$350,000, for its operation. In addition, the FFA has agreed to make annual 'top up' payment from revenue generated by the Soccerroos to the PFA of \$150,000.

## Table Twenty Eight

### Socceroo Payments: 2006/07 to 2009/10

	2006/07	2007/08	2008/09	2009/10
Match-Standard	\$810,000	\$990,000	\$1,188,000	\$1,328,250
Match-Tournaments		\$529,000		\$470,925
Commercial, Licensing and Bonuses		\$690,000	\$1,738,000	\$4,334,595
Allowances	\$184,000	\$50,000	\$60,000	\$52,500
<b>Total</b>	<b>\$994,000</b>	<b>\$2,259,000</b>	<b>\$2,986,000</b>	<b>\$6,186,270</b>
PFA - 10% Pool		\$220,900	\$292,600	\$350,000
PFA – FFA Top Up		\$300,000*	\$150,000	\$150,000
Total PFA Funding		\$520,900	\$442,600	\$500,000
<b>Total + Top Up</b>	<b>\$994,000</b>	<b>\$2,559,000</b>	<b>\$3,136,600</b>	<b>\$6,336,270</b>

Source: Information supplied by PFA based on membership research and Collective Bargaining Agreements. \* Payment for two years.

Table Twenty Eight provides information on the breakdown and total payments to the Socceroos over this four year period. The total is in excess of \$13 million.

It is possible to calculate a male players' share of Soccer revenue. The PFA has provided me with information on FFA GFR, government grants prize money and its estimate of A-League revenue for 2006/07 to 2009/10. This income has been summed, with deductions made for FFA payments to the A-League (see Table twenty Seven above), payments to A-League players (assuming that they received maximum payments per Table Twenty Six above) and the Socceroos, including the top up payment to the PFA to determine total player payments.

**Table Twenty Nine**

**(Male) Players' Share of Revenue in Australian Soccer: 2006/07 to 2009/10**

	2006/07	2007/08	2008/09	2009/10
FFA GFR	\$48.91m	\$70.41m	\$73.60m	\$90.20m
Government Grants	\$2.46m	\$14.63m	\$12.00m	\$4.00m
Total FFA income	\$51.37m	\$85.04m	\$85.60m	\$94.20m
A-League Revenue	\$32.00m	\$38.00m	\$39.90m	\$52.37m
Less FFA Payments	\$12.00m*	\$12.00m*	\$12.00m*	\$15.50m
Net A-League Revenue	\$20.00m	\$26.00m	\$27.90m	\$36.87m
<b>Total Soccer Income</b>	<b>\$71.37m</b>	<b>\$111.04m</b>	<b>\$113.50m</b>	<b>\$127.07m</b>
Socceroo Payments	\$0.99m	\$2.56m	\$3.14m	\$6.33m
A-League Payments	\$18.50m	\$20.94m	\$23.35m	\$30.95m
<b>Total Player Payments</b>	<b>\$19.49m</b>	<b>\$23.50m</b>	<b>\$26.49m</b>	<b>\$37.28m</b>
Players' Share %	27.31%	21.36%	23.34%	29.34%
Minus Govt Grants %	28.29%	24.63%	26.10%	30.29%

Source: Information sourced from FFA Annual Reports, membership research and

Collective Bargaining Agreements and supplied by PFA. \* My estimate.

Table Twenty Nine has two sets of calculations for (male) players' shares of revenue for the period 2006/07 to 2009/10. The first is based on Total Soccer Income, and the second excludes the payment of Government Grants. Under the first measure, the players' share ranged from 21 to 29 per cent. With the second the share increased to 25 to over 30 per cent. The Table reveals two important things. First, Soccer is highly dependent on the Socceroos. The Socceroos are the sport's cash cow. Second, Soccer players receive income shares which, with the exception of Cricket, are slightly higher than other codes.

It is also possible to calculate the Socceroos share of A-League revenue for 2009/10. The Socceroos received \$6.33 million in 2009/10 (Table Twenty Nine). After deducting FFA's estimated A-League revenue from FFA's Gross Football Revenue, the Socceroos received 10.12 per cent of FFA revenue in 2009/10, a higher percentage than for non-World Cup years as the Socceroos received 30% of FIFA World Cup Prize Money under the Collective Bargaining Agreement. This is less than the 12.17 per cent received by Rugby League's State of Origin players (see above)

### Female Players: Matildas and the W-League

In early 2010, the PFA and FFA entered into an agreement concerning payments for Australia's female team, the Matildas. The CBA designates that a squad of 23 players shall be divided into three tiers for retainer payments for a period of six months. The first tier, which must contain no fewer than 8 players, will receive \$15,000; the second tier, of no fewer than 8 players, \$10,500; and the third tier \$8,000. There is also provision for the Head Coach of the Matildas to recommend to FFA that an individual player in tier one up have their pay increased to \$17,000 and for a second tier player to \$11,500. Such payments are inclusive of superannuation. For their participation in the Asian Football Confederation Women's Asian Cup (all) players received (as has been the practice with the Socceroos) match fees of \$500 for a group match, \$750 for a semi final and \$1,000 for the final. The Matildas defeated North Korea in a penalty shoot out in winning the championship, and, per the CBA would have received total payments in excess of \$330,000. Under the CBA, the Matildas are also entitled to receive 50 per cent of bonuses from sponsors and 30 per cent of any prize money paid by FIFA, or the Asian Football Confederation, to FFA.

The W-League is a recent innovation in Australia, having only commenced operations in 2008. It originally comprised eight teams with a ten game season plus two weeks of

finals. Prior to the 2010/11 season the W-league was reduced to seven teams. While the PFA represents the collective interests and provides support to players, the W-league essentially operates as an amateur code. The PFA provided me with information from one club of the moneys it has provided to players. The club believed it was at the higher end of payments across the W-League. Such payments were mainly for travelling and accommodation expenses for non-local players, travelling and out of pocket expenses for attending training and public appearances and other engagements. The club has had/will have an average squad of 20 players. For 2008 and 2009 such expenditure totalled \$21,000. For the coming 2010 season this amount is anticipated to increase to \$46,500.

National teams are the major sources of revenue generation in Cricket, Rugby and Soccer. In both Cricket and Rugby it is difficult to distinguish between revenue shares in international and 'league' type competitions due to the non separation of player payments in these various competitions. Soccer is distinct in that it is possible to 'clearly' determine the share of revenue that A-League players receive, as well as the situation of male players as a whole. Depending on whether Government Grants should or should not be included, the players' share of revenue in Soccer exceeds other codes, except for Cricket, or is the highest of the Australian sports so far examined. Having said this, it should be noted that the Socceroos only received 10 per cent of the revenue they generated in 2009/10. They substantially subsidise the operation of the FFA and the code in Australia.

Focusing on the A-League, and noting that the following is only based on one observation, the share is somewhere between 30 and 48 per cent. This is the highest in Australia, but below the 58 per cent share in American sports (see above).

Of the five sports examined, Soccer has the lowest revenue base. Despite this, its A-League CBA combines high wage minima with a ‘soft’ salary cap. Wage minima for youth players are higher than Australian minimum adult wages established by (different) industrial tribunals (see above). It is substantially higher than the minima that operate in Rugby League, a sport which generates approximately three times the revenue of Soccer. Its salary cap excludes two Marquee players and up to \$150,000 for an (or more than one) Under 23 Marquee player; the payment of injury insurance; and like Australian Football, but not Rugby League payments for players replacing injured players. Unlike other codes, Soccer has not been able to obtain income from FFA for a retirement scheme and for training and education.

## Netball

Professional Netball in Australia operates at two levels. Since 2008, five Australian teams (Adelaide Thunderbirds, Melbourne Vixens, New South Wales Swifts, Queensland Firebirds and West Coast Fever) compete with five from New Zealand in the ANZ Championship. A representative team competes in internationals. Unfortunately I have only obtained limited information concerning the income earned by players in both competitions and am unable to estimate, or even venture a guess at a players' share of revenue.

In December 2008, a CBA was negotiated between Trans Tasman Netball Limited (TTNL), the five Australian clubs and the Australian Netball Players' Association (ANPA) to cover the 2009 and 2010 seasons. Players sign contracts from 15 January to 15 August. The CBA says that minimum payments for 2009 will be \$10,303 for that seven month period, or \$343.43 a week. A seven month contract with such a minimum is less than 7/12 of the \$29,635 adult minimum wage, established by Fair Work Australia, in June 2010 (see above) by \$6,876. For 2010, the minima will be the same as for 2009 'and having regard to, and in accordance with, any applicable decision with the Australian Fair Pay Commission'. Teams have a salary floor of \$262,000.

At the end of the 2010 season, the general manager of Netball NSW, Carolyn Campbell, called for a doubling of this amount to enable players to become fulltime professionals. ANZ has also signed on to another 3 year sponsorship deal; the size of which has not been revealed but is said to be a multi million dollar deal.<sup>26</sup> Clubs have rosters of 12 players. Superannuation and health insurance are on top of these

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<sup>26</sup> Daniel Lewis, 'Double cap to create pro players, NSW urges', *The Sydney Morning Herald*, 12 July 2010, p. 15, SportsDay.



payments, as well as travel expenses, etc and a \$50 per diem meal allowance. I have also been told that all clubs put aside \$5,000 and approximately 1.5 per cent of payrolls each year for accidents/injuries. But I have no total figures for player income of the respective clubs. Their respective annual reports do not include such information. For players chosen to represent Australia, a CBA between ANPA and Netball Australia (NA) provides a minimum payment of \$200 a day, plus superannuation. Players' health insurance costs are paid by NA. Again, I have no global data on earnings.

## Swimming

Swimming is the only sport covered in this report which does not compete in a league type competition. Swimming operates as a monopsony in that swimmers can only be employed by Swimming Australia (SA). The Australian Swimmers' Association (ASA) has negotiated a series of agreements with SA where elite swimmers have received (approximately) 14 to 17.5 per cent shares of 'defined' revenue streams. The SA income that has been included in such calculations has been based on grants from the Australian Sports Commission (ASC), up until 2010, and sponsorship income, net of a 20 per cent commission fee. The income that is used in these calculations is less than the income that appears in SA's Annual Reports.

**Table Thirty**

**Swimming Australia Income, Annual Reports and Revenue Sharing:  
2006 to 2009**

	2006	2007	2008	2009
<b>Total Income in Annual Reports</b>	<b>\$14.65m</b>	<b>\$15.35m</b>	<b>\$14.70m</b>	<b>\$15.27m</b>
Income for Revenue Sharing	\$8.05m	\$8.42m	\$9.07m	\$9.17m
Difference	\$6.60m	\$6.93m	\$5.63m	\$6.10m

Source: Swimming Australia Financial Reports and information supplied by ASA.

Table Thirty records the differences in income that operate in Australian swimming. They range from \$5.6m to \$6.9m. Approximately \$1 to \$1.2 million of such differences can be explained by the commissions SA pays in obtaining corporate sponsorships. These commissions are slightly lower than the total income allocated to swimmers (see below). The remainder, somewhere between \$4.4 and \$5 million, depending on the year, comprises grants from the Australian Commonwealth Games Association, Australian Olympic Committee, Australian Paralympic Committee,

affiliation fees, miscellaneous event related income, trust distributions, interest, dividend and distributions received and other income.

**Table Thirty One**

**Swimming Payment Funding: 2006 to 2009**

	2006	2007	2008	2009
Australian Sports Commission	\$3.92m	\$4.17m	\$4.59m	\$4.59m
(Net) Corporate Sponsorships	\$4.13m	\$4.35m	\$4.48m	\$4.57
<b>Total</b>	<b>\$8.05m</b>	<b>\$8.42m</b>	<b>\$9.07m</b>	<b>\$9.16m</b>
% Allocated to Elite Swimmers	14%	15.75%	17.50%	17.50%
Payment Pool Available	\$1.13m	\$1.33m	\$1.59m	\$1.60m
ASA Funding	\$0.115m	\$0.133m	\$0.159m	\$0.160m
<b>'Real' % Allocated to Swimmers</b>	<b>7.71%</b>	<b>8.66%</b>	<b>10.81%</b>	<b>10.48%</b>

Source: Information supplied by ASA.

Information concerning the mechanics of payments to swimmers, from 2006 to 2009, is presented in Table Thirty One. It contains income obtained from the ASC and corporate sponsors, net of commissions, which are combined. The percentage of income to be allocated to elite swimmers has been by agreement between ASA and SA. It was agreed that 10 per cent or \$115,000, whichever was greater, of swimming payments should be allocated to ASA to aid it in the completion of its objectives. The Table shows the amount of funding that ASA received over these years. The final row shows the 'Real' share of income that swimmers received. It is based on levels of income in the payment pool, divided by the total income received by SA in its Annual Reports. It shows that the 'Real' share of swimmers has varied from 7.71 to 10.81 per cent, which is the lowest share of the sports examined in this report.

The agreement between ASA and SA expired in December 2008. ASA has told me that a new agreement will be in place for 2010/11 commencing on 1 July 2010. It has introduced some important changes to the previous funding model. Income from the ASC will no longer be included in the payment pool. The reason for this was that the ASC provides grants directly to swimmers; the determination of which did not involve any input or consultation from ASA. For 2009/10, 42 swimmers received grants of \$6,000 each. Following the exclusion of ASC income to SA, SA and ASA agreed that 30 per cent of (net) sponsorship income would be directed to the payment pool. This amount is expected to be \$1.5 million.<sup>27</sup> This means, compared to 2008 and 2009 (see Table Thirty One above), there has been an absolute decline in the total income paid to swimmers. The second major change is that swimmers will have the option of remitting 10 per cent of their income entitlements to ASA, rather than the mandatory check off as before.

The agreement says that 86 swimmers, divided into three categories, will be eligible to receive funding for 2010/11. They are 70 pool, 10 open water and 6 elite athlete disability (Paralympic) swimmers. Ten per cent of the payment pool will be held back for additional appearances required by SA or sponsors, and a further 5 per cent for satisfactory Athlete Career and Educational (ACE) assessments. The Swimming Agreement also enables swimmers to enter into third party deals with sponsors, subject to various caveats. It will be assumed that \$1.40 million is allocated to pool swimmers, \$100,000 to open water and Paralympic swimmers. The 70 pool swimmers are distributed between five tiers, with different proportions of income allocated to each tier. The first three tiers, 53 swimmers, comprise the Australian Swim team; the remainder are squad members.

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<sup>27</sup> For 2009/10 swimmers received \$1.4 million and ASA \$100,000.

## Table Thirty Two

### Allocation of Funds for Pool Swimmers

Tier	Number in Tier	% Funding for Tier	Income in Tier*	Average Income^
Level 1.	14	32.5%	\$455,000	\$32,500
Level 2.	18	30,0%	\$420,000	\$23,333
Level 3.	21	24.5%	\$343,000	\$16,333
Level 4.	10	9.0%	\$126,000	\$12,600
Level 5.	7	4.0%	\$56,000	\$8,000
Total	70	100.00%	\$1,400,000	\$20,000

Source: Swimming Australia Limited Swimmer Agreement [2010/11]. \* My estimate.

Table Thirty Two shows that the average level of income for swimmers ranges from a low of \$8,000 to \$32,500 a year (Of this, 10 per cent may be directed to ASA, a further 10 per cent is held back for appearances and another 5 per cent for ACE assessments). Other than for Tier One swimmers, these amounts are less than the \$29,635 annual adult minimum wage established by Fair Work Australia in June 2010 (see above). The existence of the \$6,000 grants provided by the ASC does not lift Tier Two swimmers above the Australia wide wage minimum.

ASA has an educational assistance program where it provides grants, usually of \$500, to members for textbook reimbursements. For both 2008 and 2009, \$15,000 was provided under the program. It is anticipated that for 2010, \$30,000 will be provided in reimbursements.

Swimmers receive a low level of their sport's income, ranging from less than 8 to almost 11 per cent of SA income; and except for Tier One pool swimmers, their income is below the Australian adult minimum wage. SA income that is included in the determination of the swimming payment pool, and putting to on side the change,

or removal of ASC funding, is different by a substantial amount from that included in SA Financial Reports. The major differences are income received from various umbrella sporting confederations and interest and investment income. In examination of sports above I have recommended that the latter should be included in calculations determining players' income. Cricket, for example specifically incorporates such income.

## An Overview Of Findings

**Table Thirty Three**

### Overview of Australian Sports and Players' Shares of Income

Sport	Economic Structure	Major Employment Rules	Most Recent Annual Income	Range of Players' Share (per cent)
Australian Football	Cartel	Draft, Trades, Salary Cap	\$794.88m*	20.36 to 23.08%
Rugby League (State of Origin)	Cartel	Salary Cap	\$352.35m (\$23.00m)	20.22 to 23.03% (12.17%)
Cricket	Monopsony	Revenue Sharing	\$155.66m	25.00 to 26.00%
Rugby Union	Monopsony	Revenue Sharing	\$142.86m	17.72 to 20.29%
Soccer (A-League) (Socceroos)	Cartel	Salary Cap	\$127.07m (\$64.57m) (\$62.50m)	21.36 to 29.34% (30.07 to 47.93%) (6.83 to 10.12%)
Netball	Cartel	Minimum Cap		
Swimming	Monopsony	Revenue Sharing	\$15.27m	7.71 to 10.81%

\* For 2011 it is estimated to be \$834.62 million.

Table Thirty Three provides an overview and summary of the economic structure and financial position of Australian sports, especially the range of players' shares of income. The table identifies the economic structure (all national teams operate as monopsonists) and major employment rules of their league competitions – they all make use of common rosters and minimum wage payment scales; their most recent (in some cases estimated) annual income and the range of players' shares over the last five or so years. The table provides an idea of the financial strength of the various codes. Australian Football will soon be a billion dollar a year business. It is hopeful that its next round of negotiations with broadcasters will result in a billion dollar deal. It is not unreasonable to predict that the future for the five male team sports, if not

netballers, will be ones of increasing streams of revenue.<sup>28</sup> The next two to three decades may see Australian sports emulating the financial success of American sport. The most significant information contained in Table Thirty Four is that concerned with the range of players' shares of income. The shares across the respective sports are relatively low; from approximately 18 to 29 per cent. Soccer has an overall share of 29 per cent, with the Socceroos receiving only 10.12 per cent. A-League players in 2009/10 had a 48 per cent share. Rugby League's State of Origin players receive a 12 per cent share, which subsidises the NRL.

The shares that Australian players receive, with the possible exception of the A-League, are substantially below those obtained by players in overseas competitions. Shares in American sports are approximately 58 per cent, in European Soccer, except for Germany, between 63 and 68 per cent, and in Japan's J-League (which includes payments to staff as a whole rather than just players – see above) 48 per cent. Even the share of revenue of A-League players, whilst not high by international standards, needs to be seen in context with the low share of Socceroos related revenue shared with Australian representative players.

**To the extent that leagues experience financial problems it is not due to the payments made to players. Players of team sports receive between 18 to 30 per cent and swimmers 8 to 11 per cent of the revenues of their respective sports.**

In addition, the players' share of income in Australian Football, despite the economic strength and success of the code, has been in steady decline and total payments and benefits to players have been less than the annual 4 per cent increase in wages experienced by Australian workers, **The Australian Standard**. Increases to Rugby

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<sup>28</sup> For an account of the financial growth and success of the team sports examined here, other than Netball, since 1970 see Braham Dabscheck, 'From Trickle to Rivers of Gold: The Transformation of Australian Professional Team Sports, 1970 to 2007', *Sporting Traditions*, 23 (2), 2007, 9-31.



League's salary cap have been less than **The Australian Standard** and total payments to swimmers have actually fallen, and include clauses to withhold portions of the 'low' income that they are entitled to receive. Finally, full time players in Rugby League, outside the first tier roster of 25, receive incomes less than the Australian adult minimum wage. Netballers, who are employed on a seven month contract, have minima, pro rated, less than this adult minimum wage, as do most swimmers. Players in the revenue sharing sports Cricket and Rugby Union, and Soccer have not experienced the problems identified in this paragraph.

The current CBAs that operate in Australian sport confine players to receiving low shares of revenue. If higher incomes are not being paid to players, what will be called **Income Foregone By Players,**<sup>29</sup> where does such 'extra' revenue, in comparison with overseas sports go? **Income Forgone By Players** may be used to finance expansion as is currently occurring in Australian Football. Soccer, since the new broom of the FFA has embarked on an expansion programme, which amongst other things has involved bidding to host the World Cup. This has impacted on both players and A-League clubs; the latter receiving lower disbursements from centrally obtained funds than would otherwise occur. Both Cricket and Soccer have devoted funds to the development of domestic and international female teams.

One of the things that distinguish Australian sports from those overseas, especially American, is the pastoral role that Australian leagues claim they perform. On the basis of American experience, where players receive a 58 per cent share of revenue, it was argued that the **Natural Operational Cost** of leagues and clubs was 42 per cent of revenue. Australian sports pay players an 18 to 30 per cent share.

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<sup>29</sup> This is simply an expression of the economist's notion of opportunity cost.

## The Future

If we look back where Australian sport was 40 years ago, and compare it with where it is now, it has been a story of enhanced growth and prosperity.<sup>30</sup> This is not to say that the respective sports and their players/player associations did not experience problems along the way. What will be the future of Australian sport in the next 40 years? In my view it will be one of future growth and prosperity; again, undoubtedly, with attendant problems. With predicted growth in the size of the Australian population, globalisation and technological changes associated with broadcasting and product delivery, increasing sums of money will flow into Australian sport; both male and female. It has been flagged above that Australian leagues will become increasingly like American leagues in their ability to generate income.

CBA's in Australia are central to every major sport. They are the commitments from players, collectively and individually, that their respective codes' employment rules are essential for the economic survival and health of the sport. Leagues insisted on these agreements to shield their rules from common law unreasonable restraint of trade suits. The low shares of income, that Australian players have obtained, indicates that leagues have obtained such commitments at a low price.

The second is the requirement of players signing over their intellectual property or image rights to be exploited by leagues and clubs. An examination of American CBA's reveals a different, or mixed, situation. Both the Basketball and Hockey CBA's contain provisions whereby the leagues operate group licensing schemes with rules on player appearances etc, which are similar to those in Australia. The Football CBA says that the National Football League Players' Association, note not the National Football League, operates a group licensing scheme. It also says that players cannot be

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<sup>30</sup> See Dabscheck, 'From Trickle to Silver...'

precluded from endorsing products. Baseball's CBA is silent on such issues. The Major League Baseball Players' Association operates a group licensing scheme. In 1990, it generated more than US\$57 million.<sup>31</sup>

CBAs protect leagues' employment rules from common law legal attack. If agreement cannot be reached on revenue sharing or salary caps, and such schemes are imposed by leagues they are vulnerable to actions as unreasonable restraints of trade. Player associations can demonstrate the low shares that players receive, and in some cases, how these shares have been falling, and increases in income/total benefits have been less than **The Australian Standard**.

Australian Football is to introduce a system of free agency in 2012. Let the market determine the payments/value of such players. Rugby League, other than for its salary cap, has free agency. Clubs want to pay players more than allowed under the salary cap. Let them. Rugby Union's arrangement whereby State Unions have to apply to the ARU for funding if they wish to pay a player more than \$110,000 appears to be in breach of the anti-collusion clause contained in its CBA. Both Soccer and Netball have free agency. Cricketers and swimmers, because they confront a monopsonist, have less scope for such actions.

When it comes to the negotiation of licensing, intellectual property and image rights, player associations should push for higher shares for such rights than they have previously achieved. To the extent that this proves to be difficult they can indicate to their respective leagues, as occurs in American Baseball and Football, that this is something that they would rather do themselves for, and, on behalf of their members.

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<sup>31</sup> Marvin Miller, *A Whole Different Ball Game: The Sport and Business of Baseball*, Birch Lane Press, New York, 1991, p. 148.

## **Appendix : Percentage Of Player Payments From Revenue Distributed To Clubs By Leagues**

It is difficult to make such calculations for Cricket and Rugby Union because of the intertwining of payments for national and state players. The ARU provides each State with a grant of \$4.3 million. If the intertwining problem can be ignored, for 2008, these grants would have constituted 59.35 per cent of player payments. I have data for Australian Football for one year (2008) where the AFL dividend to clubs exceeded total cap payments (it was 101%), but was 77.47 per cent of total player payments. For Soccer's 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 per cent respectively; a steady decline. In the case of the NRL, the approximate shares for 2006 to 2009 were 67.47, 70.32, 71.35 and 70.83 per cent.

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