



Strategic Branding and
Business Planning Consultants
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Inquiry into the Tasmanian Governments feasibility planning for a new sporting and events stadium

Submission to Tasmanian Government Standing Committee of Public Accounts

Introduction

This is an independent pro – bono assessment for the benefit of all Tasmanians who trust and rely upon the competence and commitment of the Liberal government and Premier to act in a manner that ensures:-

“Equal opportunity for all Tasmanians; and the encouragement and facilitation of wealth so that all may enjoy the highest possible standards of living, health, education and social justice.”

Brand Focus has 34 years of strategic business planning experience for major Australian corporations and has previously assessed the current Tasmania Government's planning process associated with politically driven project decision making (Refer to Appendix 1 for details).

The consistent learning from these assessments has been the ongoing weakness of project proponents to undertake the critical due diligence and risk mitigation evaluations necessary to confirm that a minimum 80% of the stated private and/or public investment return will be achieved before any commitment announcements are made.

Of note is that the latest Tasmanian stadium business plan lodged with the Federal Labor Government includes evidence that no prior professional **due diligence or risk mitigation** has been conducted in order to manage the impact of uncertainty in achieving project objectives.

Thus Tasmanians have not been afforded the opportunity to consider the “what if” impact funding risks to public funding for basic living standards (Not just Government promoted unfettered economic benefits in isolation).

Brand Focus feasibility planning process as applied to this submission

Committee members will enquire and report upon the Government's process with particular emphasis on seven nominated process factors and any other incidental matter incidental thereto.

This submission primarily concentrates upon the matter of **due diligence and risk mitigation** which is a critical component within each of the seven inquiry process factors

Factual evidence sourced from the following reports provides the foundation of this submission

- AFL Licence Task Force Plan
- Colin Carter AFL report
- Hobart Stadium Price Waterhouse Coopers (PwC) Report
- Business Case submitted to the ALP Federal Government 22 December 2022

AFL Licence Taskforce Business Plan 2019

Prepared for the State Government of Tasmania 18 December 2019 (Refer to Appendix 2 for Executive summary)

Brand Focus analysis of this initial business plan revealed that the supporting detail concentrated mainly upon the Taskforce's understanding and history of Australian Rules football both nationally together with the right of Tasmania to be granted AFL and AWFL licences.

The plan leverages Taskforce knowledge into the mechanics and estimated outcomes and how its recommendations for a 19th AFL Licence with co-funding support from the Tasmanian Government (Tasmania's public purse) could be achieved.

This plan may have been appropriate had the following due diligence and risk factors relating to the critical level of local and interstate demand needed for success been incorporated.

Missing however was an in depth research study profiling the comparatively small Tasmanian population and factors that would inhibit local Tasmanian attendances to adopt and attend the 19th AFL Tasmanian team games.

Also missing is research data from supporters of the mainland teams rostered to compete against the Tasmanian team, given that the mainland team versus the Tasmanian team new stadium matches (suggested seven per season) interstate supporters will incur significant travel and accommodation expenses which will impact on the level of demand from this market .

Finally the plan makes no mention of the competitive future a Tasmanian team will have to contend with and which again is a **due diligence and risk management** weakness.

(Refer to Appendix 3 for factual details)

Colin Carter AFL report

Former Geelong Cats President and AFL Commissioner Colin Carter was appointed to review the business case for a 19th licence in Tasmania in March 2019. AFL CEO Gillon McLachlan said Mr. Carter, who has been involved in football for more than 35 years and was also a founder of the Boston Consulting Group's Australian Operation, had agreed to undertake the review of the submission provided by the Tasmanian Taskforce led by Brett Godfrey.

Mr. McLachlan has stated:-

"Colin Carter has been a leading administrator in football and was instrumental in providing the framework for the national competition and the key tenants of equalisation which has made our game so strong."

"Colin is renowned for his vision and also his commitment to **governance**. He has made an incredible contribution to Australian football as a consultant, as a club director, AFL Commissioner and long serving president of the Geelong Cats. He understands football, he understands community and the importance of the game and he understands economics and structure of our competition at each of the national, club and community levels."

Given this endorsement for Mr. Carter's outstanding reputation which exceeds by far that of any other contributor to the business plans of the taskforce and State Government, it is difficult to comprehend why his findings and recommendations in the Government's business plan was restricted to just 33 words of his 24 page plus report, i.e.:-

"In 2021 the AFL commissioned Colin Carter, former Geelong President and AFL Commissioner, to undertake a detailed review of the Taskforce business plan to examine all financial, fixturing, talent and other relevant considerations"(From page 34 of final business plan).

One could only conclude that this is a deliberate attempt by the Tasmanian Government to conceal serious due diligence and risk management failures.

The Colin Carter Report is the most important report for the consideration of the Standing Committee of Public Accounts as it clearly outlines numerous **due diligence and risk management** concerns ignored in the State Government's Business Plan including:-

"Attention has mostly focused on obtaining a licence and less on the team's longer-term prospects. The new team will be one of our smaller clubs, reliant on substantial Government funding and relatively large AFL Distributions which is never a very comfortable place to be. Furthermore, the new club will face tough early years on-

field as have our recent expansion teams and it is not the preferred option to have a new team struggle on field.”

“Retention’ is hard to ignore. If the club is successful, the ‘retention’ argument fades because the evidence is that players will stay at a good club. But it becomes an issue if the club has too many poor years after start-up. On a population basis, there will be fewer Tasmanians in the team than there are locals in most AFL teams. This is when the ‘go home’ problem can arise.”

“Relocation of a Victorian team if any team views that as an option would substantially address start-up challenges and bring a strong membership component. A combined Tasmanian and Victorian support base would position the new club in the middle wealth ranks of AFL clubs, a formidable competitor on and off the field.”

“A team that is highly reliant on government funding as well as requiring one of the higher AFL Distributions, will be in a more vulnerable place. A joint venture would avoid many of the issues faced by the addition of a new team.”

“The Government will need to commit to current and future Governments being a long-term investor, along with the AFL.”

“A State Government commitment substantially de-risks the project. And \$10 million is a huge number for a football club. To find an opportunity with annual profit of \$10 million would mean searching for businesses with turnover of \$100 million or more. Or put another way, \$10m equates to 78,000 members at an average AFL industry yield of \$128 per person. It is a massive amount. As such, a continuing government commitment is a very important part of the case, and reasonably a licence could be made contingent on Tasmanian government funding until the Tasmanian team reaches a minimum hurdle of financial sustainability.”

“However, there are challenges inherent in the Government funding. While the genuine commitment of Tasmania’s political leadership is not in doubt, sceptics will reasonably ask what happens in a decade or more. Taxpayer support may wane, and governments have various ways to re-balance the ledger – through rental and leasing charges, security and public transport charges and the like. Any football club dependent on taxpayer funding rather than the revenue that flows from its rock-solid supporter base is more vulnerable.”

“The case for a 19th Licence can be made. But that said a conversation should take place about the long-term interests of football in Tasmania. A stand-alone team, formed from start-up, may not be the best option. Relocation or creative joint venture arrangements should be explored.”

His report underlines stand-alone start-up challenges:

“Discussions mostly focus on ‘deservedness’ and financial sustainability but rarely address prospects on the field. A new team may face a long, tough period. Tasmania is not like the Eagles and Crows who were soon competitive with mature, **high quality players** drawn from their domestic competitions. Also, some have a romantic view about the number of Tasmanians in the team. On a proportionate population

basis, **Tasmania will do well to have two draftees each year.** Its players will mostly come from **other states.**”

“Even though the AFL pursues its ‘equalisation’ strategies, the four smallest Melbourne clubs have between them won only one AFL Men’s premiership in the last 20 years and only three in the last 40 years. Is this what Tasmania wants?”

“It is more fun to follow a team that is financially strong, a formidable competitor and has success on the field. Is a team, destined to be in the least wealthy third of the competition and substantially reliant on government funding the best prospect?”

“Relocation of a Melbourne team to Tasmania, with the expected AFL draft and financial concessions, would give a Tasmanian team a strong local position plus a valuable slice of the Melbourne market. Securing 40,000 members, or more, in Melbourne plus building an equivalent Tasmanian membership would make the team a formidable competitor.”

“The AFL Constitution reserves the right of the existing clubs to approve or reject the addition or deletion of a club and a two-thirds majority is required. A relocation would be attractive to 17 AFL clubs and their approval for such a deal would be a formality. It would keep the competition to 18 teams, it would address the financial issues for one of the existing clubs, and it would not necessitate draft disruption on the scale required with a 19th Licence.”

From these quotations, one can only interpret that AFL Commissioner Carter has an underlying level of doubt as to the efficacy of awarding the stand alone licence sought.

(Refer to Appendix 4 for the entire report)

Hobart Stadium Price Waterhouse Coopers (PwC) Report

In July 2022 PwC was engaged by Events Tasmania (State Growth) to estimate the economic impacts that could be generated by a new 23,000 Tier 2 AFL stadium situated in Macquarie Point

The PwC estimates were predominately determined from input provided by the Tasmanian Government

The main modelling inputs and assumptions comprised:-

- The total amount of project capital expenditure during the development of the new stadium in Hobart.
- The associated capital expenditure over three years is \$750 million.
- The total amount of intrastate, interstate and overseas visitors’ spending.

- The direct expenditure by visitors during an 'average' operating year is estimated to be around \$162 million.
- The location of spending. 100% of the spending during the operation phase is assumed to occur in Tasmania in which the stadium is located. (note, excludes airfares)
- Our analysis of total attendance and visitor numbers, which has been informed by analysis completed for the Tasmanian Government.

PwC included the following **disclaimer** to their economic impacts modelling:

- To the maximum extent permitted by law and, without limitation, to liability arising in negligence or under statute; and
- Liability limited by a scheme approved under Professional Standards legislation.

Appropriately, PwC has clearly stated its modelling limitations:

The CGE model's limitations include:

The base case assumes the economy to be in equilibrium and a lagged adjustment process in the labour market.

Consumer preferences, industry technologies and productivity are fixed at 2018/19 levels.

Political factors include changes in government policy. For example, changes in regulations impacting on a particular industry would not have been factored into the model.

The model also assumes that the willingness of labour to move to regions is based on wage differentials, plus an adjustment factor to allow for the possibility that households may prefer particular geographic locations.

The analysis draws on the following key inputs:

Indicative facility cost of **\$750 million provided by Tasmanian Government**

Hobart Stadium Capacity Optimisation Analysis **provided by Tasmanian Government**

Hobart Stadium Projected Content and Attendances **provided by Tasmanian Government**

Expenditure of match attendees that is induced by the stadium - **derived from spend data collected in 2017** from attendees at UTAS Stadium matches adjusted to account for inflation and the higher cost of living in Hobart.

Most importantly PwC declared:-

"This is an indicative and preliminary analysis - **further and more detailed analysis and projections would be required** for this analysis to be able to inform investment decision making including:

Detailed stadium design (including location and key attributes) of a series of investment options

Robust facility cost estimates that are directly linked to detailed stadium design provided by a quantity surveyor

Recent primary data collection (including spend patterns and attitudes towards event attendance in Hobart specifically)."

Despite PwC disclaimers to their own economic impacts modelling and their declared requirement for more detailed analysis and projections in order to inform investment decision making, the Premier has **ignored** same in order to convince Tasmanians of the benefits the stadium will deliver them, for example:-

The Advocate 23 December 2022

Premier Rockliff said the stadium "would provide **\$300** million in additional economic activity and **4,200** jobs during construction and **\$85** million in further economic activity and **950** jobs once completed"

There is absolutely no evidence available that supports his assertion

ABC Hobart News 23 December 2022, Hobart AFL stadium business case released

"The business case argues that the stadium would generate \$85 million in direct economic activity per year, and 950 ongoing jobs, in addition to 4,200 construction jobs."

"The business case estimates that planning could be completed by late 2024!"

This paper contends that:-

With regard to any projections of expensive "international standard" event attendance, any attempt to include any mainland attendance included would be misleading, as.

- Major entertainment events in mainland states will be attended by those who live in those states as they will have no need to incur the costs of travel and accommodation.
- As a consequence, entertainment entrepreneurs will have to rely on a much smaller Tasmanian market alone for ticket sales increasing their profitability risk.
- Stadium entertainment events income will come predominantly from locals and will not represent an added boom to Tasmania's economy with any greater admission price will reduce local attendance.

The Tasmanian Government reliance on events to support its decision making would be detrimental to those contributing to funding the majority of the project costs i.e. those Tasmanians struggling to meet their basic needs.

Opinion based stakeholder influencer support value vs. evidence based value in decision making

The State Government's Business Plan contains a significant level of support from those whose opinions, along with the Premier's have been strongly expressed in press, television and social media

Opinion-based decisions are the majority of decisions made in organisations. They are based on the beliefs of the individuals concerned and a process that self-confirms those beliefs.

Evidence-based decisions however are of an entirely different nature. They are based on a factual research foundation.

An example of the **self interest opinion based** Hobart Stadium support which could result in a catastrophic outcome for the thousands of Tasmanians' contributing unwillingly to the Governments \$460 million contribution is evident in glowing comparisons with the Adelaide Oval redevelopment from the likes of Brendon Gale, CEO, Richmond Football Club; David Koch, President, Port Adelaide Football Club; and John Olsen, Former South Australian Premier backed by the Premier together with the following:- AFL Licence Taskforce members: Brett Godfrey (Chairman), Paul Eriksson, James Henderson, Julie Kay, Grant O'Brien, Nick Riewoldt, Adam Sproule, Ben Buckley and Errol Stewart +

Craig Warhust, Editor, Mercury newspaper

Ex-Hawthorn president Jeff Kennett "Tassie will have the funding to build its multipurpose Mac Point Stadium in the New Year and the work will begin just a year later." (Published in the Mercury newspaper)

TICT CEO Luke Martin "It's about Tasmania being on the map for sport, entertainment and conference events"

Fourteen other all heavily AFL involved signatories to the Believe Tasmania campaign.

None of the above has supported their strong opinions with **factual research documentation**.

On 9 December 2022 the Australian newspaper published results of state wide polling of 2,541 Tasmanians indicating **67% of Tasmanians** opposed plans for an AFL Stadium in Hobart

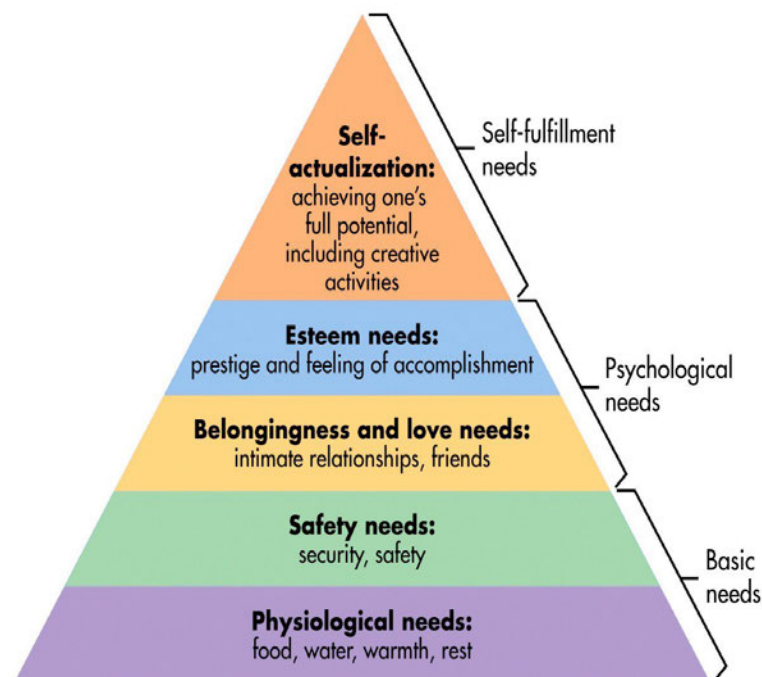
In addition the Jacqui Lambie Network's petition has received **2,154** signatures (I am petitioning you to: Stand up to the AFL and reject their demand that we spend \$375 million on a new stadium in order to receive an AFL team. That money could be much better spent on health, housing and education than on a stadium with no business case.)

By comparison on Saturday 10 December 2022 Premier Rockliff stated in the Advocate newspaper that he had **not considered collecting data** from across Tasmania to see how much support the stadium has state wide

Stakeholder AFL self interest fails to serve the best interests of everyday Tasmanians who rely on the Rockliff Liberal Government to assist in providing their basic needs of life.

Maslow's Hierarchy of Needs

Individual's most basic needs, at the base of the pyramid, are physiological. Once they have fulfilled these needs, people move on to their safety needs, social well-being, self-esteem then ultimately their need for self-actualisation.



These critical basic needs have not been considered to the degree necessary by the Rockcliff Liberal Government to the detriment of Tasmania's future economic and social prosperity

The Government's Business Plan – stadium attendance

"The new stadium is essential for the new club's financial sustainability. The AFL's financial modelling relies upon a new stadium to underpin the club's commercial revenues (membership, ticketing, corporate hospitality, etc). The commercial model estimates that around 5,000 people will travel per game to Hobart – which is not only a critical driver of club financials but the economic impact for the state more broadly. Experience from clubs in Melbourne, Perth and Adelaide demonstrates significant uplifts (in attendance, yield, revenue) from redeveloped stadiums located in proximity to the CBD, and there are significant and growing expectations on the customer experience from AFL fans with rising standards in stadium quality and amenity across the country. The growth in metrics from Adelaide and Port Adelaide clubs moving from Football Park/ West Lakes to Adelaide Oval in South Australia was

transformational. In addition to the points above: • For the clubs – Port Adelaide/ Adelaide combined net club revenue more than doubled – driven by both attendance and yield."

Visitors for events at Adelaide Oval nearly doubled, employment nearly doubled, and economic impact in the CBD was up by more than 200%."

(Please note that these results were determined from a very low West Lakes oval base)

"The benefits to the Tasmanian economy generated by the stadium are driven by the net new events that the stadium generates" (PwC Economic report – page 7).

"It is expected that at least 44 events (28 new to Tasmania) could be hosted at the new stadium seeing 587,000 attend per year including 123,000 overseas and interstate visitors" (Tasmanian Government Business Plan - page 6).

"Interstate and international visitation is the key driver of benefits to the Tasmanian economy" (PwC Economic report).

A government commissioned report cited attendance estimates released under Right to Information included a prediction "that seven AFL matches would average crowds of 20,000; that three A-League and two Rugby matches (5 in total) would get 7,500 attendances each and the Big Bash League would average 10,000 across four matches".

In total it suggests that 16 matches for an attendance of 217,500 or an average of 13,559 per match. There is a strong 83% reliance on AFL and Big Bash attendees which is dependent upon the performance of Tasmanian teams to attract the **123,000 interstate and international attendees annually**. (As stated in the Government's Business Plan).

The report also estimated that the new stadium would attract three international standard concerts annually with an attendance of 30,000 people each.

To achieve the Business Plan's stated 587,000 annual attendees being hosted at the new 23,000 capacity stadium would require 369,500 event/concert attendees (90,000 for three major events and 279,500 for miscellaneous smaller events (?))

The Adelaide Oval experience since 2014 and pre Covid would indicate this is not achievable. The economic benefits required to fund Tasmania's highest possible standards of living; health and social justice would not be delivered with disastrous long term outcomes for the State.

Adelaide Oval Event/ Concert 2014 – 2019 (Pre Covid)

Date	Artist	Attendance
25th October 2014	The Rolling Stones	54,115
21st November 2015	AC/DC	50,000
18th February 2017	Guns N Roses	33,713

13th March 2017	Adele	70,000
26th October 2017	Midnight Oil	11,000
7th March 2018	ED Sheeran	62,915
25th January 2019	Phil Collins	30,000

In summary, 7 concert tours over 6 years for an average of 1.16 per year with an average concert attendance of 45,545.

The Adelaide city and suburbs had a population of **1,272,000** in 2014 and **1,328,000** in 2019 compared with Hobart City and suburbs population of **218,000** in 2014 and **236,244** in 2019.

Of note is that the 2023 Elton John farewell tour will not be staged in Adelaide or Perth, both of which have major stadiums but will be staged in AAMI Park Stadium in Melbourne; Allianz Stadium in Sydney and Suncorp Stadium in Brisbane in January before moving to New Zealand.

The Adelaide Oval Stadium Management Authority (AOSMA) is the organisation responsible for the management of the redeveloped Adelaide Oval precinct in a joint venture between football (South Australian National Football League) and Cricket (South Australian Cricket Association).

In January 2019 (Pre Covid) AOSMA provided a submission to the South Australian Government's Select Committee on the redevelopment of the Adelaide Oval.

This submission included the following risk mitigation concerns:-

“The majority of AOSMA revenues are generated through **game day events** where crowd numbers ebb and flow relative to the success of teams and popularity of the sport. In recent years crowd numbers for AFL football and cricket have been reducing.”

“The key risk is reliance on crowd numbers for football and cricket events”

Other risks cited were:-

- Increasing cost pressures per year
- Performance of football and cricket teams
- International concert artists and events not touring Adelaide
- The international and events market is sporadic and subject to various market factors including the strength of the Australian dollar
- A weak Aussie dollar makes it less attractive for artists to tour Australia from overseas which reduces the number of acts coming to Australia

- Competition for major events is severe with major competitors such as the new Optus stadium in Perth benefitting from the \$19 million investment by the WA Government to attract events to the stadium
- Adelaide is considered a secondary market after the eastern seaboard cities and Perth due to its population and promoters past experiences with events that sell slower here than in other cities
- Aging facilities
- Increasing casual and permanent wage rates
- Electricity cost increases
- Weather

No allowance for the impacts that these **risk factors** will present is evident in the Tasmanian **Business Plan**

The Government's Business Plan submitted to the Federal Government 22 December 2022

Executive Summary

The new Arts, Entertainment and Sports Precinct will deliver significant economic, health, social and community benefits not just for Hobart but for the whole of Tasmania, including:

\$300 million in additional economic activity

4,200 jobs during construction of the stadium.

\$85 million yearly in additional activity and

950 jobs per year during stadium operations.

The Rockliff government has failed the **due diligence** test in that the numbers and consequential significant economic, health, social and community benefits made in the Executive Summary are all a direct take from the PwC September 2022 Economic Impacts Report

Take note that on page 5 of the report PwC states:-

“This is an **indicative and preliminary** analysis - further and more detailed analysis and projections would be required for this analysis to be able to inform investment decision making

Therefore the content of the Executive Summary and those responsible for compiling the Business plan have failed the due diligence test and have misled the Federal Labor Government when seeking \$240 million in funding for the Stadium to proceed.

Project cost capital expenditure

International cost management consultants WT Partnership prepared the pre - feasibility estimate in September 2022, based on the most recent engineering studies.

The **assumed** scope, as described in Table 3, includes 23,000 seats; fixed ETFE roof (north facing clear roof, with solid component at southern end); 1,500 premium product capacity and 31m façade covering the building.

The **estimate** is based on an assumed design benchmark of **Metricon Stadium** for the seating bowl and facilities.

The capital cost estimate of \$741 million (2022 dollars, excluding GST) includes construction costs, contract and client contingency, consultant fees, development management fees, headwork contributions allowances and future cost escalation.

It assumes a construction start in 2025 and completion in 2028.

Category Cost (\$ million) Site works 150; Stadium works 527; Escalation 64

Total \$741 million

Less Mac Point Funded Costs \$26 million

Net total funding required **\$715 million**

A subsequent review identified potential duplication of works totalling approximately \$26 million between the assumed scope and works already committed to by the Macquarie Point Development Corporation. These works include remediation of contamination, plaza works associated with the park, sewer realignment, and utilities and storm water connections. The net capital funding required as a result is \$715 million. The cost estimate will be updated by the project team during future project and design development, including at concept definition, reference design, and transaction and delivery phases.

Due diligence failures





The Adelaide Oval (above) has more grandstands and a greater capacity of 53,500 than Metricon.

The redevelopment cost was more than \$610 million (\$738 million in 2022 dollars), an increase of \$160 million on the original \$450 million according to an Auditor General's project report for the period to December 2013.

Stadium Benchmark (From Business Plan)

Example:

Te Kaha Canterbury Multi-Use Arena, Christchurch Christchurch's new NZ\$650m (AU\$603m) stadium will have a seating capacity of 30,000 for sports events increasing to 36,000 in concert format. The arena design includes a roof so that the stadium can host events all year round and attract trade shows and expos in addition to sporting activities. The stadium is due for completion in 2025

ABC Hobart News 24 December 2022

Troubled Te Kaha in Christchurch a 'benchmark' for Hobart's AFL stadium at Macquarie Point.

"A yet-to-be completed stadium in New Zealand being used as a model for the Hobart AFL stadium has been plagued with cost blowouts, construction delays and public opposition to the project." (Evidence of the risks involved in major infrastructure projects which proceed without critical process governance).

With the completion date of 2026 counting down, progress has been slow at the Te Kaha Canterbury Multi-Use Arena site in Christchurch, with groundwork underway but little else on the site, despite it being 10 years since the arena was first conceived.

The proposed \$715m Hobart stadium would be roofed, similar to Christchurch's yet-to-be completed Te Kaha.

A New Zealand journalist says the Te Kaha project has run over budget.

Tasmania's Premier says the Hobart stadium would attract event organisers who "currently don't consider Tasmania as an option".

The Te Kaha facility is cited in the Tasmanian government's business case that was delivered to the federal government on Thursday, as part of the island state's bid to secure the licence for a 19th AFL team.

Hobart Stadium - Net Total Funding required \$715 million.

"The cost estimate will be updated by the project team during future project and design development, including at concept definition, reference design, and transaction and delivery phases".

Problem

This Government statement confirms that the project cost capital expenditure is unknown and like the Te Kaha project “benchmark” is subject to substantial cost blow outs due to due diligence failures which will increase risk.

The Macquarie Point Opportunity

MONA Case study - Government's efforts to demonstrate that the initial MONA phenomenon can be replicated by the Macquarie Point precinct development.

The MONA effect has had a considerable impact upon Tasmania’s visitor economy attracting almost 1.5 million visitors to Tasmania, in its first five years of operation, generating international exposure.

But according to published Tourism Tasmania statistics MONA visitor numbers grew by 25% in 2013; 16% in 2014; 12% in 2015; then declined by 2% in 2016; grew by 3% in 2017 and declined again by 2% in 2018.

All visitors to Tasmania (including those for leisure) total spend grew by 10% in 2013; 18% in 2014; 8% in 2015 and 2016; 6% in 2017 and 2018 and a low 4% in 2019

As MONA’s rate of growth has slowed since 2013 so has the rate in tourism visitor growth and expenditure

The MONA “footsteps” dilemma as recognised by David Walsh

“The response to MONA has been outstanding and I didn’t expect it ... The critical acclaim and popularity does not mean the Museum runs at a profit however. It costs over \$10 million a year to run and the income is something like \$4 million. This is the opposite of your standard business plan – I built something and now I am trying to work out how to make it work rather than working out how to make it work before building it.”(David Walsh ABC News 29 September 2014).

In year ended September 2018 visitor numbers growth rate declined by 2% for only the second time since opening in 2011 whilst the number of visitors that indicated they were influenced to visit Tasmania declined by 50% compared with results in year ended September 2013.

Whilst MONA has made a massive cumulative contribution to Tasmanian visitor numbers and expenditure within the State, trends show that “attraction pull” is waning suggesting a long term flaw in the MONA business model.

For the Business Plan to rely upon the commercial MONA case study in order to substantiate the potential of the Macquarie Point Precinct demonstrates a lack of **due diligence** yet again.

Proper project delivery - risk management

A project team recognises that effective risk management is critical to manage uncertainty, improve understanding and decision-making, and maximise opportunity, thereby increasing the probability of successful project delivery

.The project team is develops and implements a risk and opportunity management framework to identify and manage the impact of uncertainty on achievement of project objectives.

This includes:

- Developing a risk management plan
- Maintaining and regularly updating the project risk register
- Conducting monthly and quarterly risk reviews
- Undertaking quantitative risk analysis (QRA) to inform regular reviews of the project cost estimate and budget.

The initial risk review has identified risks, causes, treatments/ mitigations and risk owners for risks in the following categories:

- Project development
- Operations
- Project delivery/ construction
- Governance
- Health and safety
- Environment.

Regular risk reviews will be undertaken throughout project development, procurement and delivery, and be embedded into the management framework for the project.

Risk management – Due diligence and risk mitigation assessment

“Investments like this ensure the economy is in a strong position to pay for essential services like health, education and housing” – Business Plan page 4.

There has been no due diligence and risk mitigation evidence regarding any massive negative impact that a project failure would have on the long term Tasmanian economy and its people.

The Project Delivery risk management “recognises that effective risk management is critical to manage uncertainty, improve understanding and decision making and maximise opportunity, thereby increasing the probability of successful project delivery”.

Risk management at the project delivery stage does not increase the probability of successful project delivery as claimed.

Risk mitigation commences with confirming the validity of data input. That is the basis of economic modelling, together with confirmation of the business skills and competence of the key decision makers responsible for such input.

The Government's Business Plan process fails to include any such due diligence and governance.

This process ignored by the Government should have committed Government's key decision makers to agree as to:-

- Why do we believe this project will succeed in achieving the stadium's objectives at a level required to deliver the economic stimulus promoted by

the Government required to fund improvements in essential services like health, education and housing?

- How convinced are we that the benefits promulgated will be achieved?
- Are we as key decision makers 80% or more convinced that a minimum 80% of these benefits will be achieved?
- How certain are we that the Project will not fail?
- Is there a minimum 95% agreement amongst the key decision makers that the project will not fail to the degree that Tasmanian's are severely compromised in terms of wealth and living standards

Of note is that key Government decision makers and advisors are divided. Federal Liberal Member for Bass Bridget Archer has stated that she does not believe that taxpayers should be paying for a new stadium.

While some members of the Liberal Government defended their support for the stadium, including Treasurer Michael Ferguson and Simon Wood, others refused.

Despite his showboating and bravado, under questioning, Felix Ellis failed to support the new stadium.

Guy Barnett also stood up and refused to support the new stadium. Veteran Liberal advisor Brad Stansfield has labelled it 'madness'.

Federal Liberal parliamentarians Senator Jonathon Duniam, Member for Braddon Gavin Pearce and Member for Bass Bridget Archer together with Liberal Senators Wendy Askew and Claire Chandler all aired concerns about the project.

This level of disunity within senior Liberal ranks is a red flag with regard to a lack of confidence in the project and confirms the multitude of due diligence and risk mitigation failures evident throughout the process.

This conundrum ignites questioning as to the motivations of the supporting decision makers. Are they wanting to ensure survival or alternatively seeking a more powerful or better paid position for themselves? Have these individuals bothered to question their own understanding of the project Business Plan and the level of public disagreement: even consider other more appropriate, more rational options that could be evaluated?

The main strength of a rational decision making approach is that it provides structure and discipline by ensuring that the full range of factors are considered in a logical and comprehensive manner.

Professor of management sciences at Ohio State University, Paul C. Nutt is a world renowned expert in the field of strategic management and decision making.

His research has demonstrated that failed business planning decisions share three common blunders: - proponents rush to judgment, misuse their resources, and **repeatedly use failure-prone tactics to make decisions**

Of the almost 400 failed strategic business decisions he and his team evaluated 70% or 280 only considered one option

"Too often those who should have been involved weren't; insufficient time was spent generating a range of possible solutions and solutions that were proposed acted upon too quickly; often with disastrous effects"!

Some politicians understanding of the public good is what is good for them.

The Hobart Stadium is a political example of problems with their process.

- State wide polling resulted in 67% of Tasmanian's being opposed to the Stadium.
- The Jacquie Lambie petition demanding that the initial State Government's \$375 million public investment be rejected, received more than 2,160 signatures as at 10 January 2022.
- The Premier would not collect research data across the state to determine the level of support for his Stadium.
- The Government's "supposed" business plan is riddled with due diligence and risk mitigation failures.
- Rather than a Business Plan it is no more than a conglomeration of unsubstantiated beneficial claims designed to convince sceptical Tasmanians that the profitability of the Hobart Stadium/Macquarie Point will enable the Government to fund the more critical state wide necessity for the highest possible standards of living, health, education and social justice.
- The document is full of a Government "get out" vocabulary e.g. estimate; assumed; predictions; could; expect and preliminary (as underlined throughout this document) which is evidence that those responsible have not done the home work to support the claimed economic benefits that will be generated by the project.

Conclusion

The proposed new \$715 million Macquarie Point Stadium, to sit as part of a bustling 365 days per year Arts, Entertainment and Sports Precinct on the doorstep of the Hobart CBD, is necessary to secure a 19th AFL licence for a Tasmanian AFL and AFLW team and also presents far broader opportunities for our state including:

- Fuelling Tasmania's economy and driving a construction blitz to retain jobs, industry confidence and growth.
- Unlocking new, sustainable transport nodes.
- Providing an all-weather stadium that will be capable of hosting sporting, cultural, entertainment, business and international events year-round
- . • Leveraging the significant investment by value-adding to Tasmania's Antarctic strategy.
- Providing a cultural drawcard for the Hobart CBD and supporting a new dawn for tourism, retail and hospitality.
- Supporting a club that all Tasmanians can get behind in taking our rightful place in the national AFL competition. The proposed Arts, Entertainment and Sports Precinct will be an iconic urban renewal project, further reconnecting Hobart with its historic waterfront. The stadium and precinct will improve community and visitor access to the waterfront.

The Tasmanian Government committed \$375 million (**now \$460 million**) to this once in a generational opportunity to deliver a transformational change that will unlock economic activity and invigorate a sense of community and pride, with flow-on benefits right across Tasmania.

All that remains is for the Australian Government to contribute **\$240 million** to make the project a reality that is one-third of the total cost.

Conclusion

Regretfully the weight of evidence relating to due diligence and risk mitigation failures apparent in the Committees' enquiry into process would indicate that the Tasmanian Government has not only ignored the will of the majority of its constituents and may have knowingly mislead both those in favour of the proposal and the Federal Government in an endeavour to satisfy a minority, those being the proponents.

The high risk factor resulting from these failures is at a level that proven professional business planners would recommend abandoning this project and instead developing a new strategy that encompasses both the Colin Carter suggestion :-

“Relocation of a Melbourne team to Tasmania, with the expected AFL draft and financial concessions, would give a Tasmanian team a strong local position plus a valuable slice of the Melbourne market. Securing 40,000 members, or more, in Melbourne plus building an equivalent Tasmanian membership would make the team a formidable competitor.”

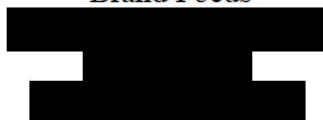
..and revisits the Macquarie Point Precinct redevelopment with the objective of creating and funding a truly iconic urban renewal development that attracts more state and out of state immigrants, permanent high paid, full time job seekers, together with high value out of state visitors seven days a week, twelve months a year... This would boost Tasmania's below par productivity record which indicates the state lags behind the rest of Australia. (Every other Australian state and regional Australia (Source: NIER [national economics] in 2020-21).

The Macquarie Point vision should be dedicated to learning across multiple Tasmanian competitive industry fields together with world renowned advanced technology visitor experiences and with no room for a co-funded, predominantly lowly paid worker AFL stadium.

ENDS

Total hours = 188

Ray Chaplin
Principal
Brand Focus



Submission to Tasmanian Government Standing Committee of Public Accounts

Appendix 1



Established in 1988

Major
brand
and
business
strategy
projects
include



A pattern of major past and present due diligence and risk mitigation failures on behalf of the current and previous Premier are as follows:-

- **Tasmanian Education Act Bill (55) 2016 Sections 8 & 9**
- The Tasmanian Governments efforts by way of reviewing the previous Education Act of 1994 with the intent to achieve equitable and improved outcomes for all Tasmanian Children was deserving of the strong in principal praise it received from the Tasmanian Community
- However the passing of the 2016 Bill in its original form would have had implications critical to the future prospects of Tasmania's children and therefore the Economic and Social future of the State
- **Brand Focus was engaged to provide a research based risk mitigation assessment of the Bill (Sections 8 & 9) which initially mandated a compulsory (later amended to optional) school starting age (kindergarten/prep) for children as young as 3.5 years of age in a primary school environment**
- **This model was unequivocally endorsed by the Education Minister Rockliff based on the advice of advisors**
- *"I am nailing my colours to the mast"*
- *"We will be investing more than \$100 million to ensure our kindergartens and prep are ready for a younger cohort of children"* Tasmanian Education Minister Jeremy Rockliff – Press release
- Brand Focus basic due diligence and risk mitigation research identified two major strategic business planning flaws
- **Based upon representation the intellectual make up of the original 2014 Reference group did not include a sufficient weighting of specialist knowledge applying to Sections 8 & 9 of the 2016 Bill**
- **The Governments review of the Tasmanian Education Act contained no specific mention of the published findings of internationally acclaimed brain development scientists and renowned early learning professionals relating to World best practice for the first 2,000 days (5.5 years) of a child's life**
- **Brand Focus communicated these strategic flaws to the Government**
- To avoid embarrassment on December 10 2016 after countless hours of ill informed debate in the Legislative Assembly the Government finally commissioned what was reported to be a \$300,000 plus consultancy to report on the social and economic impacts of the changes on the Tasmanian early childhood education and care sector and Tasmanian children and their families
- The Government then portrayed the adverse findings of this expensive report as the reason to abandon their early education component (Sections 8 & 9) of what was otherwise a very valuable and worthwhile Bill
- **Had the Bill proceeded in its original form it would have resulted in a weakening of the foundation stone of learning (brain development) to the disastrous detriment of all Tasmanian's**
- **This proven fact brings to into question the professional competence of all those accountable for a flawed process and the massive costs to the Tasmanian public purse, the early learning industry in Tasmania and enormous time/opportunity cost wastage incurred in Legislative Council debating**

■ **Macquarie Harbour Salmon Farming Regulation**

- In 2014 Petuna and Huon aquaculture appealed to the Premier and Primary Industries Minister to take decisions that would preserve the health of Macquarie Harbour and the industry's reputation
- In 2015 New Zealand's Cawthron Institute external review concluded: "There are related concerns in the fish health state in Macquarie Harbour indicating a biological system under stress"
- Their advice cautioned any expansion
- **The Primary Industries Minister Rockliff publicly stated "I have no concerns about the health of Macquarie Harbour"**
- **In the period 2016 – 18 the following took place**
- **Cap of Macquarie Harbour increased from 20,000 tonnes to 21,500 tonnes**
- Huon Aquaculture broke ranks and went public on ABC's Nationwide Four Corners program to warn about the dangers of fish farming in the States pristine waters
- Four Corners investigative journalists revealed the use of chemicals to colour the grey salmon flesh pink detracting from Tasmania's pure, clean green image
- Just months after DPIPWE saw fit to raise the stock cap to 21,500 tonnes the newly appointed EPA regulator reduced it to 14,000 tonnes
- Huon Aquaculture believed the cap was still too high and instigated legal action against the State Government and the EPA in the Supreme Court and against DPIPWE in the Federal Court (The cost to the State in defending these actions is unknown)
- **In the six month period from October 2017 there were 1.35 million fish farm deaths in Macquarie Harbour**
- **The EPA then confirmed that it would reduce the cap from 12,000 to 9,500 tonnes which is the same level of the biomass limit when the three fishing companies were initially operating around 2011**
- **Despite the new cap there are strong calls for fish farming in Macquarie Harbour to cease which would have enormous economic and social ramifications for the State**
- **Beyond that the damage to one of the State's most valuable assets – its brand and associated pure, clean green equity has been dramatic and although impossible to value would amount to many millions of dollars in lost brand equity**

And more recently due diligence concerns are again ignored i.e.

Open letter – Neighbours of Fish Farming, 9 December 2022

PUBLIC CONSULTATIONS OVER ATLANTIC SALMON A 'TRAVESTY OF PROCESS'

The Hon. Jeremy Rockliff,
Premier of Tasmania

Cc. Hon Jo Palmer, Minister for Primary Industries and Water

Hon Roger Jaensch, Minister for the Environment

Dear Premier,

Your government's defence of the consultation process surrounding plans to expand the Atlantic salmon industry in Tasmania is disingenuous and misleading.

In The Examiner, Launceston, your Primary Industry minister, Jo Palmer, says the government could not have done more to enable consultation on the draft plan.

In fact, the government could not have done more to create the illusion of public consultation.

The latest draft salmon plan utterly ignores the concerns more than 200 people who made thoughtful, intelligent and informed submissions in the first round of 'consultation' – more than 80% of whom expressed serious concern about industry expansion and its impact on marine life, communities and waterways.

Your government's true intentions were revealed when it emerged that you personally gave secret undertakings to multinational salmon executives at a private Liberal Party fundraiser that their expansion plans would be green-lighted. This was shameful back-door dealing with multinationals whose records of corruption, environmental vandalism and regulatory failures are globally recognised.

To now claim the government is consulting the public in good faith is dishonest and insulting.

It is you or Minister Jo Palmer who should be facing the difficult but legitimate questions at the current round of public meetings, not the two public servants who struggle to defend a draft document lacking detail and clarity while unable to answer the inevitable questions of policy that you should be there to answer.

The public meetings are a travesty of process.

They have not been widely advertised. The Hobart venue was – confusingly – kept secret until far too late. People have been refused registration because of ‘oversubscription’ only to find – in Hobart – the hall is half empty. Bruny Island residents, at the epicentre of the industry, do not have the courtesy of a meeting, instead having to traipse across the Channel to Hobart or Huonville. The many residents of the Tasman Peninsula and the Huon Valley who work in Hobart will be denied the opportunity to attend the midweek lunchtime meetings although they, like Bruny Island, are deeply impacted by the industry.

It is unclear why anyone would bother to engage in this latest round of submissions or how they can do so when the draft document lacks clarity, detail or scientific underpinnings. Even industry executives tell me they do not see much point in engaging. You, of course, have already promised the executives what they want, so they have no incentive to engage.

In a further act of bad faith, January 20 is set as the deadline for a second round of public submissions. This is in complete contradiction to undertakings by your Cabinet colleague, Roger Jaensch, who gave me and two others a clear undertaking that the process would not be held over the Christmas/New Year holiday period—the traditional time for governments to bury controversial issues.

Given this litany of failure of process and good faith, could you please explain why any Tasmanian should trust the process of industry expansion you have set in train?

Could you also explain why you have prioritised the demands of a voracious foreign-owned industry whose profits will go offshore when alternatives exist to maintain and increase employment in a sustainable industry?

And will you now let Tasmanians into the secret of how and where you intend to green-light industry expansion? Is Bass Strait next for open-net Atlantic salmon cages? Or the west coast of the Furneaux Islands already designated for ‘fin fish’ exploitation? Or increased stocking densities and cages around Bruny Island? Or further exploiting oxygen-depleted Macquarie Harbour?

Your silence - or the usual response that “matters you have raised have been noted, and your correspondence is currently being considered” - will be **taken as acknowledgement that your actions and those of the government are indefensible.**

Yours sincerely,
Peter George
President, Neighbours of Fish Farming

■ **Tasmania's Energy Crisis (Jeremy Rockliff Deputy Premier & Peter Gutwein Treasurer at the time)**

According to Hydro Tasmania, as at Monday 25 April 2016, total energy in storage was 12.8%. In other words, Tasmania has been left in a perilous situation in terms of its energy security.

This unprecedented event was preceded by Government mismanagement in backing Aurora Energy's acquisition of the Tamar Valley gas fired power station

When transferred to Hydro Tasmania the value of generating assets was written down by two thirds (over \$200 million) with another \$100 million of losses contributed by onerous gas supply contracts

Although well before the event this flawed decision created downstream consequences which played a critical role in the 2015/16 energy crisis

Due to the parlance state of Hydro Tasmania's financial position in August 2015 the State Government decided to decommission the Tamar Valley Power Station

The 2016 energy crisis was caused by a combination of two primary issues: record low water levels in Hydro dams and an outage in the Basslink cable with a further factor being the decommissioning of the Tamar Valley Power Station which reduced the speed at which that facility could help meet energy shortfalls

A Federal Senate enquiry concluded that the Tasmanian Governments response to the crisis had been insufficiently transparent including an unwillingness or

inability to provide a figure for associated costs which had been reported as \$400 million or more

In addition the ramifications for major industrial users of energy who were not consulted or informed in advance of the Tasmanian Governments decision to decommission the Tamar Valley Power Station were substantial with Bell Bay Aluminum alone estimating reduced production would equate to around \$22 million in lost revenue and the need to re-earn the right to existing international contracts due to being unable to fulfill current contractual agreements

Professor Michael Negnevitsky, Director of the Centre for Renewable Energy said that he was surprised at the failure of Government to plan contingency solutions (risk management) to possible crises such as the 2016 energy crisis “It is a failure in making decisions. As a result, they made decisions that were not informed decisions”

LIVING CITY COMES TO LIFE
Devonport City Council Release 26th May 2015

A LIVING CITY Reference Group has been established to ensure broad community, government and stakeholder representation and to assist Council in progressing the implementation of the adopted Master Plan.

The LIVING CITY Reference Group **includes representatives from the State Government including the Hon Jeremy Rockliff MHA and John Perry, the Coordinator General**

ADVANCE DEVONPORT INTEREST GROUP
R.B.VELLACOTT 11 COCKER PLACE
DEVONPORT 7310
FOR URGENT ATTENTION AND RESPONSE

Premier of Tasmania
Deputy Premier of Tasmania
Treasurer of Tasmania

09/05/2016

Re: - Living City Public Borrowings

The Devonport City Council is on record as stating that Stage 1 of the Living City Project will commence in 4-5 weeks (about June?) and that the State Government has been assisting Council in finalising the additional \$39 million in public borrowings required.

This will take the total of public borrowings associated with the expected \$70 million cost to \$59 million in a city of approximately 12,000 rateable properties and 18,450 electors a vast majority of which are residential rate payers with Tasmania's highest urban small designated rates and average wealth being amongst the lowest in Australia.

Mr Premier, **you** quite rightly stated in the Advocate Newspaper (Saturday April 30th –page 11) that you are committed to backing the Cradle Mountain Plan project “all the way” **if its business case passed independent analysis.**

On behalf of the now over 1,600 concerned residents who have indicated with their signatures that they no longer support the Living City Project in its current un tested and varied form with to what was originally developed **with little public funding required per the Devonport City Council's Living City written assurance “THE STRATEGY WILL NOT BE RELIANT UPON RATEPAYER FUNDING”** – we hereby request that:-

The Hodman Liberal Government intervene in the Living City borrowing negotiations and prior to finalizing the additional \$39 million public borrowings the Devonport City Council be required to demonstrate to the Governments satisfaction that its business case passes the same independent analysis your Government requires of the Cradle Mountain Project.

Should you not support this due diligence step, and because your Government is actively assisting Council to secure the loan funds will your Government now accept full liability for same and not Devonport Rate Payers as this entire project has been unequivocally proven to be riddled with fundamental Risk Mitigation flaws?

Please confirm receipt of this correspondence. Also I would appreciate your advice when your response will be provided.

Yours sincerely,

R.B. Vellacott

09/05/16

R.B. (Bob) Vellacott: - For and on behalf of the Advance Devonport Interest Group.

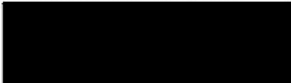
Deputy Premier
Minister for Education and Training
Minister for Primary Industries and Water

Level 10 15 Murray Street HOBART TAS 7000 Australia
GPO Box 123 HOBART TAS 7001 Australia
Ph: +61 3 6165 7754
Email: Jeremy.Rockliff@dpac.tas.gov.au



31 MAY 2015

Mr Robert B Vellacott



Mr Vellacott *Bob*

Thank you for your feedback regarding Stage 1 of the Living City Devonport project, which was also sent to the Premier. I am responding on behalf of the Tasmanian Government.

The Tasmanian Government supports the Living City project in Devonport as one of our key transformational initiatives to advance the economy in Tasmania's North and North-West further.

The Northern Cities Major Development Initiative will help seed further investment by initiating significant infrastructural improvements, generate thousands of jobs, and make sure the North and North West of the State take part in the economic momentum that has been building in Tasmania.

The Living City project in Devonport will provide numerous development opportunities for business and will help to create an attractive and vibrant regional city that strongly supports private investment in tourism, retail and food.

Between 2010 and 2012, research, investigation and targeted consultation were conducted in order to analyse and prepare Devonport's shift to a service-based economy. From March to September 2013, extensive community consultation had been undertaken and showed overwhelming support for the key principles of the project.

The Living City project proposal has been supported by a range of comprehensive documents including a Business Case, Financial Model, Risk Management Plan, Procurement Management Plan and Project Management Plan. Open discussion with all stakeholders had been held regarding all stages of implementing this transformational project.

The long term benefits to the Region are substantial with studies anticipating 820 direct full time jobs and \$112 million annually in additional economic output to the Region as a result of the Living City project.

Please be assured that the Devonport City Council and the State Government are working through a process to address any issues impacting on the desired outcomes of the project.

Yours sincerely



Jeremy Rockliff MP
Deputy Premier
Minister for Primary Industries and Water

The August **2014** Devonport City Council Master Plan document states

*“Council has invested \$15 million towards securing key strategic properties across the CBD during the past two years. **Negotiations are also well advanced with developers and major retailers ready to invest as soon as sites become available**”.*

These properties were therefore purchased during the period **2013 – 2014** with the final purchase (an additional \$900,000) for 74 Rooke Street made in July **2015**.

Yet the critical funding model for Stage 1 of Living City was not made available to ratepayers until the Public Information Session held on Monday 29th February **2016**. This was the **first time** that ratepayers were informed that approximately \$50 million of ratepayer funds (\$11 million in cash reserves and up to \$39 million in additional ratepayer borrowings) would be required **just for Stage 1** of the Living City Project.

Council did not undertake **any** of the “comprehensive business case studies” required by their own appointed economic consultants Hill PDA to validate their estimates of 830 new CBD on going full - time direct jobs and significantly more indirect jobs together with \$112 million of additional economic output annually upon completion.

Hill PDA stated:

“The actual estimation of visitor growth including extra spend can only be determined through a series of business case feasibility studies as the next level of detailed analysis which Living City will require” - Source: Hill PDA Final Report December 2014

Instead of meeting this critical due diligence requirement Council stated:-

Council did not consider it necessary to undertake further validation of the Hill PDA assessment - Source: Devonport City Council letter - File 32161; 26/2/2016

Council management and Councillors supported in writing by the Premier, Deputy Premier and Treasurer repeatedly sought to justify large ratepayer borrowings by publicly proclaiming loudly:-

- The economic benefits of “nearly 830 new ongoing full time jobs in the Devonport CBD and over \$112 million of annual economic output”; and **their confidence in these eventuating; without ever declaring their knowledge that validation to confirm these outcomes had never been undertaken.**
- **Due diligence and Risk Management process was ignored by the Government who were made aware that Devonport ratepayers would have to carry the borrowing costs**

Stage 1 of Living City

- Perfectly serviceable Council chambers bulldozed
- \$50 million of cash reserves and borrowings spent for what net benefit result?
- No sign of a Big W store or any of the many other promised 15 new retail precinct stores, no realisation of the expected four new unique restaurant experiences in the food precinct, and no seven days per week exclusively Tasmanian grown fresh produce market and a white elephant 800 delegate conference facility **none of which were the subject of the required business case demand studies deemed necessary by Council’s own economic development consultants Hill PDA.**
- **A supposed \$13 million state government grant that in reality was never a grant**

Instead

- A massive debt for the people of Devonport backed by Premier Hodgman, Deputy Premier Rockliff and Treasurer Gutwein
- No likelihood of the unsubstantiated 830 new full time CBD jobs
- No likelihood of the annual \$112 million economic benefit repeatedly claimed
- A new unnecessarily expensive grandiose Civic building housing Council offices, an underutilised 800 delegate conference facility and Government owned replacement of the Library and Service Tasmania that Devonport did not need situated in a prime CBD location.
- Stage 1 of Living City opened in 2018. According to ABS data from the 2016 & 2022 census only 20 full time CBD jobs had been created

AUDITOR GENERAL'S REPORT

On September 19th 2019 the Auditor General tabled a report to the Tasmanian Government which included the following statement in regards to the Devonport City Council and Living City

Auditor-General's conclusion:

DCC's governance and procurement processes for management of the Living City project were not effective as measured against audit criteria 3 due to DCC failing to follow sound commercial and governance processes before entering into the Providore Place head lease. This included failing to obtain independent legal advice prior to entering into the head lease and not adequately managing the relationship risk between DCC and P+i in entering into the head lease.

Appendix 2

AFL Licence Business Plan Executive Summary

A key Taskforce remit was to generate and attempt to prove a business case that an AFL and AFLW licence could be operated and sustained in State.

Core elements in this review have included the commercial inputs (mandatory and desirable), status of venues and facilities, potential public support, impact on existing relationships between AFL entities and the State Government – and related responsibilities – and a timeline through which a pathway including VFL, AFLW and eventually AFL teams could be fielded.

Clearly, this business case must align with the broader football landscape, such as its potential impact on community football across Tasmania, the longevity and health of AFL media rights, and the viability of the existing member Clubs of the competition.

We developed this report with a view to consider as many of these variables as possible, and where required (such as the question of stadia) simply recommended an extension or expansion of the Taskforce's work, by a subsequent investigative process.

While we cannot project with certainty some key inputs within our suggested pathway (for example confidential media rights), we have made every effort to ascertain fair and reasonable estimates given our consultation with appropriate authorities, subject matter experts and the Taskforce's own experience.

In that context, our core findings and associated recommendations are as follows:

Core Findings to Government

1. The Business Case produced is viable and sustainable but (subject to negotiation) requires both the AFL and Government to 'co-invest' in an AFL 19th Tasmanian-based team for the long term. In return, all stakeholders will receive benefit: the AFL via enhanced media rights and market share, the member clubs via incremental sponsorship exposure and the State via GSP and job production.

2. The AFL is not seeking a 19th team to add to the competition. Admission to the League requires a 'special majority' of clubs to back a new entrant. It is unlikely any consideration of a new team would be considered outside of a subsequent broadcast deal, with the earliest opportunity at this time being possibly 2025. The Government should also be aware that the Taskforce did not consider the option to relocate an existing AFL Club to Tasmania

3. Successive AFL administrations since 1990 have held out the opportunity for a 'future' Tasmania to enter the competition but ambiguous timeframes have allowed the issue to be deferred to subsequent Executives or Commissions. Current CEO Gillon McLachlan has perhaps been clearest in his advocacy for Tasmania but equally has raised questions about:

3.1 Its ability to financially support 11 home games;

- 3.2 Its capacity to work without a ‘unified’ Tasmania behind it;
- 3.3 The expectation that, besides the AFL, a team would require ‘delivery and execution by Tasmania.’ While these thoughts are valid, they are directly addressed throughout this report.
4. Broadcast revenue modelling and advising experts confirm a local Tasmanian team will add value to the AFL overall. There is a case to suggest that a Tasmanian team could in fact be selffunding as a 19th team.
5. Branding experts have advised that the existing corporate sponsors of the AFL and all 18 clubs will benefit from a Tasmanian-based and branded team.
6. Independent modelling of the direct economic impact of 11 home games in Tasmania played by the Devils AFL team indicates a direct contribution to the State of more than \$110M p.a. and more than 360 jobs
- 6.1 These numbers are comprised of a mid-point level of direct annual spend of \$72M, and 250 permanent football tourism- related jobs.
- 6.2 Additionally, the AFL club itself would add a further direct 116 FTEs, providing an additional \$27M in salaries and on-costs, plus other direct expenditure of \$13M to the State economy.
7. As an independently viable 19th team, Tasmania provides the AFL with the opportunity to recalibrate, restructure, add a 20th club or even return the League to 18 teams based on the fact a number of clubs today are financially challenged and dependent on AFL underwriting.
8. The existing Tasmanian AFL stadia capacities are incapable of hosting the forecasted average attendance or member demand required in the Business Plan. Additionally, key infrastructure not currently available but required prior to a Tasmanian Club’s first season includes high performance training facilities.
9. Tasmanians have failed to engage with Melbourne-based teams domiciling their ‘home’ games in the state.
- 9.1 Local support and interest for both Hawthorn and North Melbourne has eroded over the past decade and value will likely follow.
- 9.2 The cost per game funded by the State, including its statutory authorities, currently exceeds \$1M per ‘home’ game.
10. Two decades ago, Tasmania enjoyed the highest per capita rate of participation in Australian Rules across the country. While the game remains the most popular sport in Tasmania, research indicates the following trends should be of concern:
- 10.1 The absence of a local AFL team has contributed to its declining popularity and in particular lower male participation since the last bid a decade ago.

10.2 Based on current trends, AFL will cede being Tasmania's favourite sport by 2030 and the AFL risks conceding a key heartland state and market dominant position.

The Taskforce also notes that new licences and subsequent Clubs admitted to the League indicate the link between announcing an AFL Club and a pronounced increase in participation and engagement in the AFL.

11. Female participation levels in the State have enjoyed significant growth in recent years – inflating the perceived growth in playing numbers – as has the number of Tasmanian women playing with existing AFLW teams.

11.1 AFL Tasmania and by extension the AFL itself is perceived cynically by the Tasmanian football community

11.2 Any decision to enter the VFL in isolation of an AFL licence timeline is:

11.2.1 Unlikely to be met with higher interest or engagement in the game. Indeed, there appears a genuine belief it will fail, causing irreparable damage to the State's ambition around its own AFL Club;

11.2.2 Inconsistent with the AFL's current or historic practice. No club has ever had to demonstrate that it could operate a successful VFL team as a condition precedent to being granted a provisional AFL licence.

13. The appetite for an AFL licence in Tasmania is supported by a unified approach across the State. This includes:

- Bi-partisan support obtained from all sides of politics in Tasmania;
- Strong and unified support from key media in the state;
- Excellent support from Tasmanians both residing in the State and elsewhere, as demonstrated through the United We Stand campaign and Gemba research;
- Healthy support from key local football administrators in the State, from State League to regional or community competitions.

14. The delivery of this Business Plan should be considered merely the start of a consultative and negotiated process to secure AFL and AFLW licences. Momentum resides with the bid and the opportunity presents 'now' should the Government choose to pursue the Business Plan.

Core Recommendations to Government

1. The Government should seek an opportunity to present to the AFL Commissioners the case for Tasmania's inclusion in the AFL and AFLW.

2. The Government seeks to retain members of the Taskforce as consulting advisors and pursues engagement with the AFL Commission, Club Presidents and senior AFL executives to submit a bid for a Provisional Licence.

3. On condition of the granting of a Provisional AFL licence, establishment funding required will be approximately \$45M, as follows:

- 3.1 Pre-operational Club administrative staff and organisational facilities: \$12-15M, and
- 3.2 Provision of the necessary high-performance player facilities: \$25-30M.

The State and Federal Governments will need to consider and cooperate with the AFL to fund the estimated \$45M required prior to the team's first season.

4. The Taskforce model supposes a 'negotiation' that sees Tasmania enter the AFL with an equitable 'club average' distribution of \$17.1M per annum. The State would need to accept funding the estimated shortfall of \$7.3M per annum.

We note that the AFL may not be able to afford nor want to take the risk of another expansion club. Our report suggests that, based on these sensitivities, the State may need to fund up to a maximum of \$11M, consistent with the AFL content cost per 'home' game incurred today.

5. **Launceston would host** and benefit from 'blockbuster' matches being played at an enhanced 27,500 seat UTAS Stadium. Due to its apparent limitations, Blundstone Arena would host smaller drawing AFL Clubs or games. Upon 'proof of concept', a longer-term aspiration should be a roofed, CBD-based 'Adelaide Oval' multi-purpose facility developed for Hobart to share all AFL content and opportunities with Launceston.

6. Irrespective of a new stadium, a State stadia strategy and review should be undertaken to both validate our assessment of stadium demand and to consider the wider State value in attracting or retaining existing events, conferences and other national sporting franchises or leagues to Tasmania, and their subsequent contribution to GSP and returns to the Football Club.

7. Based on the advice provided to the Taskforce by the AFL, Australian Football League Players Association (AFLPA), community consultation and the fact that most of the playing roster, presently, would be from the mainland states, Hobart would be the likely team base.

8. Given the relative declining 'interest' in Hawthorn and North Melbourne's Tasmanian content, coupled with Hawthorn publicly advising they have other options, the State should reconsider or at least revalue both 'sponsorships' upon their contract maturities in 2021.

9. The State needs to press awareness and seek change in the AFL Commission. As guardian of the game it is somewhat reflective or informative that there are no – and never have been – Tasmanian Commissioners in the AFL.

10. The model presented herein includes the costs associated with a VFL team – essentially an AFL reserves competition – however it is predicated on the long-term success and well-defined pathway provided by an AFL Licence. Should no commitment be forthcoming for a Tasmanian AFL club, our recommendation is that the State declines to fund the VFL program.

11. The State has the opportunity now to change the AFL's misperceptions. In March 2019, the AFL CEO questioned the economic ability of Tasmania to hold a licence but offered:

"One brand and hopefully getting unity and putting a bid together. It's not going to be in the next couple of years, but at least there is a pathway and a plan there."

The Taskforce believes this bid should enhance the AFL's understanding of the present Tasmanian 'opportunity' and has delivered a **unified, single-branded** and perhaps most relevantly economically **sustainable** business case.

As a result, we recommend that the State seeks confirmation of the same from the AFL to obtain a fixed date or genuine plan to a licence as a warranted outcome.

Critical Success Factors

In the context of building a case, the Taskforce identified critical success factors to which an AFL licence in Tasmania should be anchored.

These factors are by no means exhaustive, but they represent core, consistent outcomes from the research and consultation that emerged from our work and should support key recommendations as the Government of Tasmania considers next steps in this pathway.

Please note the Taskforce has expanded upon these Critical Success Factors as an integral part of our report, from page 37.

1. It must be additive to the Australian Football League and its market protection of the game

The well planned and executed establishment of the Tasmanian Football Club Limited will deliver multi-tiered AFL benefit:

- Overseen by a Tasmanian Football Club Board, whose members are cognoscente of the game's importance in society, and its heritage, the Club will become a revenue-generating entity to assist in supporting multiple tiers of the game across the State.
- It will provide leadership across a State suffering decline in the game and in genuine danger of being supplanted as Tasmania's most popular sport. In the past decade:

There has been a 19% decrease in AFL Fanatics and 38% decrease in Fans in Tasmania

There has been a 5.27% decrease in comparable participation 2 and as much as 14% in certain sectors (Treasurer Peter Gutwein, Feb. 2019).

Engagement with the game and sustainability of communities that depend on football is, as a result, in serious decline, and school football is virtually non-existent.

The AFL market in Tasmania is increasingly exposed. Tasmania boasts a 500,000+ population base that identifies AFL as the major sporting code, but this exclusivity is under threat.

Based on current trends, **AFL will cede being Tasmania's favourite sport by 2030** and risks conceding a key heartland state and market dominant position.

AFL interest and involvement increases in markets when AFL teams are introduced (Gemba).

The opportunity exists to create an entity that is not only self-sufficient but – in keeping with the Commission governance and 'caretaker' models of Western Australia and South Australia – can contribute to the game's financial health and stability across Tasmania.

An AFL licence will generate the visibility, access and ambition for Tasmanian boys and girls to represent their State and participate at the highest level, re-establishing a pathway that has substantially eroded since the most recent Tasmanian submission for an AFL team (2008).

This aspiration is a common thread among all stakeholders in our research and discussions and – when coupled with a proposed north-south venue model – underpins the belief that a united Tasmania will support a licence.

2. A Tasmanian AFL licence funding and commercial model is sustainable

The financial outcomes arrived at by the Taskforce align with the AFL's best practice model.

The Taskforce has allowed for comparatively modest contributions from the League and the Tasmanian Government in relation to existing arrangements with many AFL clubs.

We have made assumptions that will be further tested by the changing AFL landscape; with specific focus on broadcast television revenues, but the core criteria to support this funding is consideration of the stadia model in relation to seating capacities.

Our modelling indicates the Tasmanian Football Club would not only be self-sufficient, but in broader terms will contribute to AFL revenues in line with representing additional content and a more engaged local supporter / viewer base.

The Business Case Model has been benchmarked and 'stacks up'.

The Tasmanian AFL / AFLW club can demonstrate, at a minimum, financial comparability with all similar sized AFL clubs.

Team Tasmania will not be a 'drag' on the state: The \$11M annual guarantee recommended – even if fully drawn – approximates the State investment per home game today for eight Hawthorn / North Melbourne premiership and two AFLW matches.

Modelling suggests this underwrite (or AFL ‘insurance’ option), even if required, will deliver to the State \$110M+ of direct football club and sports tourism expenditure, including the creation of more than 360 direct jobs.

Team Tasmania will not be a ‘drag’ on the 18 clubs:

The Tasmanian model suggests a long-term Government underwrite of up to \$11M p.a. that provides assurance to the AFL that it will not expose the League to another Greater Western Sydney, North Melbourne or Gold Coast Suns scenario.

Less investment likely required by the State: The business case financial model suggests that the Tasmanian Government’s likely required contribution for 11 AFL and 4 AFLW home games (\$7.3M) is less than for the existing eight premierships and two AFLW games commitment (circa \$8.0M) of today.

A Tasmanian team could well be AFL cost neutral: Broadcasting revenue contribution forecast by a Tasmanian team exceeds the average distribution paid to AFL Clubs in 2018 and sought by a Tasmanian team.

Tasmania’s brand adds additional value to existing AFL Sponsors: Branding experts believe Tasmania will be accretive for all other 18 club’s corporate sponsors in Australia’s first national football competition.

Broadcasters consulted agreed, noting that a local team will drive greater AFL tribalism and subscriptions. If a Tasmanian AFL team existed, 36% of Tasmanians would watch more AFL nationally and 62% would attend more local AFL content.

A brand overview document “Unleashing the Fires of Passion” – drawing together a number of highly respected brand experts and their views on a Tasmanian AFL entity – has been provided as Appendix 2.

“The launch of an AFL Team in the stronghold of Tasmania provides a unique and valuable opportunity for advertisers in Australia.

The ability to leverage the story and goodwill unleashed from the Apple Isle will create value extending beyond regular audience buys in sport. All club sponsors will benefit but early Tasmanian partners will gain brand recognition and cooperation that isn’t possible with established organisations”

A Clean Stadium’ changes the game: Redeveloping UTAS Stadium as the initial primary football venue, but seeking a longer-term Hobart CBD-based, roofed stadium in an appropriate entertainment precinct, would mitigate much of the financial risk of Government. Modelling and precedent suggest the potential elimination of the need for any State support post implementation

3. The Stadia: Appropriate Infrastructure and Addressing Capital Requirements

The work the Taskforce undertook demonstrates that, should Tasmania be granted an AFL licence, the current capacities of the State's two AFL grounds – UTAS Stadium (Launceston) and Blundstone Arena (Hobart) – would not likely satiate anticipated demand unless potentially aggressive dynamic pricing or yield management strategies were deployed.

This is a multi-tiered issue: pure revenues through ticketing would be compromised and membership of the proposed Club discouraged – and disenfranchised – by lack of access.

More significantly, minimal availability for inbound supporters of the 'away' club would undermine potential economic benefits for the host city; a core AFL licence advantage that the Taskforce believes cannot be compromised.

Choice modelling undertaken suggests that a new Tasmanian AFL team within its first year would experience a more than doubling of existing North Melbourne and Hawthorn memberships to a base case of 38,000 members.

These additional members would drive anticipated average attendances over 11 home games of approximately 18,400 per match.

While outside of its Terms of Reference, the Taskforce also considered the national stadium landscape and associated merits of a 'clean sheet', roofed stadium.

This would require a separate economic and qualitative investigation beyond our scope, but the benefits in areas of membership, attendance, and economic stimulus have clear precedent which requires consideration in any stadium review.

The Taskforce also notes that any discussion relating to facilities (training, playing and location) must align with a 'world's best' approach to attract and retain playing, coaching and administrative talent, keystones in the long-term viability and indeed prosperity of a licence in Tasmania.

Paul Murphy, Head of Media at Brand Agency Cummins&Partners

"Equally, the clean, roofed stadium concept will support positive AFL fixturing for the Devils concept through avoidance of concerns around the negative impact of weather on attendance and product quality."

Across all facilities, proximity of training venues and general social amenities will also be a consideration in support of the retention question. Hobart and Launceston offer excellent opportunities re: cost of living and embedded football culture – the next tier of alignment for players is ease of access and travel for playing, training and rehabilitation / recovery in both cities.

4. All parties accept that a phased approach to build this team 'from the ground up' offers the most sustainable long-term outcome.

The Taskforce arrived at a timeline to progress implementation at a pace that maintains public and corporate enthusiasm for the concept but allows certain levers to be clarified enroute to the securing of a licence.

Core allowances in this journey will be the securing of a provisional licence; the creation of VFL / VFLW then AFLW teams as steppingstones to a broader Club platform; the introduction of a team into the AFL competition.

These steps will occur concurrently with the increasing clarity in relation to ongoing North Melbourne and Hawthorn arrangements and the coming (2022) conclusion to the existing AFL broadcast rights agreement, one of the central revenue drivers in the distribution to the competition's member clubs.

The Taskforce reiterates that the commitment to support a VFL team from Tasmania should be conditional on the securing of an AFL Licence. A timeline under Taskforce consideration is detailed below, while governance of the game and its stakeholders is outlined in expanded detail in Appendix 4.

December 2019: Completion and presentation of AFL Taskforce Business Case:

Taskforce findings demonstrate that Tasmanian-based AFL & AFLW teams are feasible and sustainable with the support of the State Government and a fair and reasonable club distribution from the AFL.

State Government to receive report and commence consideration of pursuing AFL and AFLW licences supported by the State. Dec 2019 – Jan 2020: State Government Review Taskforce findings and records

Executive Summary Ends

Appendix 3

The risks associated with the competitive and player safety future impact



FOOTBALL (Soccer)

Marketed as the one and only ‘world game’ with a growing family brand profile together with the achievements of the Socceroos and Matildas the potential is there for soccer to become the elite family sporting code in Australia.

Male and female professionals participating in Australia are able to earn a good living from playing football and also represent their country internationally, join international teams and achieve the ultimate goal of competing at the highest athletic level the Olympic Games – an opportunity not available to AFL or NRL players



2021 NATIONAL PARTICIPATION REPORT

2021 FOOTBALL PARTICIPATION KEY INSIGHTS PROGRAM % CHANGE
2020 - 2021

Outdoor Football	+16%	470,644 to 547,751
Futsal	+39%	39,130 to 54,215
Social Football	+27%	104,785 to 133,148
Registered Coaches	+7%	42,512 to 45,619
Registered Referees	+5%	10,592 to 11,127
Volunteers	+9%	25,168 to 27,346
Schools Football	+64%	236,369 to 387,457
Community Football Programs	-21%	240,644 to 190,001
Specific Diversity and Inclusion Programs	+108%	12,087 to 25,140
TOTAL PARTICIPATION 2021 +20%		1,181,931 to 1,421,804

2021 TASMANIAN SOCCER SUMMARY

OUTDOOR AFFILIATED FOOTBALL

12,224 PARTICIPANTS (17% growth on 2020) 120 CLUBS

8,736 MALE (71% OF TOTAL)

3,488 FEMALE (29% OF TOTAL)

7,460 SCHOOL PROGRAMS 2,535 SCHOOL COMPETITIONS

SCHOOLS TOTAL 9,995 PARTICIPANTS



® IN TASMANIA

GEMBA research prepared for the AFL Licence Taskforce found that since 2010 passions for Australian Rules football amongst Tasmanians had declined by 38% and that registered male participation had eroded by 5.27%

GEMBA research also found that “Tasmanians have failed to engage significantly with teams domiciling their games out of Launceston and Hobart with the number of

Tasmanians that don't support a team more than doubling over the last decade from 22% to 48%."

Top team ball sports nationally – children (the future)

Football/soccer (**13.8%**); Australian football (**6.5%**); Rugby league (3.5%); Touch football (2.4); Rugby Union (2.1%). **Soccer has double the penetration – not mentioned in any of the AFL stadium reports – why?**

Top team ball sports nationally- adults

Football/soccer (5.7%); Australian football (**2.9%**)
Soccer has double the penetration – not mentioned in any of the AFL stadium reports – why?

Why is the greatest challenge to player participation growth in both AFL and NRL not mentioned in any of the AFL stadium reports?

The USA experience that will also negatively impact on Australian high contact football

The decline of USA football is real and it's accelerating

Youth participation (aged 6-12) has declined by 32% since its 2008 peak
High school participation has declined by 9% since its 2009 peak
NFL Super Bowl Viewers has declined by 24% since its peak in 2011

According to data from the Aspen Institute and the National Federation of State High School Associations (NFHS), from 2008-19 to 2018-19 the total number of youths aged 6 to 18 playing tackle football fell by more than 620,000, from about 2.5 million to less than 1.9 million. It seems almost certain that 2020 or 2021 will see overall high school participation in tackle football drop to below 1 million players, a level of participation not seen since 1998. Over that same decade season attendance at top-level college games (Football Bowl Subdivision) declined by almost 10% (per school).

The emerging science of repetitive brain impacts and long-term neurological damage has cast a dark shadow over the sport.

As a consequence, it is clear from the data that parents are increasingly keeping their young children out of football and high school boys are **choosing to play other sports**. Research shows **increasing parental concerns about concussion risks and an increased desire to see age-based restrictions on physical contact in the sport**

Roger A. Pielke Jr. Director of the Sports Governance Centre within the Department of Athletics at the Centre for Science and Technology Policy Research at the University of Colorado Boulder. January 2020

Chronic Traumatic Encephalopathy (CTE).

Is a degenerative disease of the brain, generally found in athletes who have sustained repeated blows to the head. It causes dementia-like symptoms and can only be diagnosed after death, according to the CTE Centre at Boston University.

AFL – 2021

Rising concussion rates in community footy exposed amid calls for action on youngsters

As elite sporting competitions such as the AFL grapple with how to reduce head trauma, exclusive data shows that head knocks in community football have soared. In particular hospitalisations of teenagers suffering concussions in community footy are growing at a concerning rate and experts are calling for urgent action.

by [Damien Ractliffe](#), [Craig Butt](#), [Richard Lama](#) and [Mark Stehle](#) (September 18th 2021)

Combining the Australian Institute of Sport and Australian Institute of Health and Welfare data suggests the rate of concussion hospitalisations for Australian rules football players in 2018/19 was about **64** per 100,000 participants. Rugby recorded a higher rate at about **82** per 100,000 participants while soccer **13** per 100,000 participants) and touch football (**4** per 100,000) posted lower figures.

Australian Rules football also produces more concussions, in raw terms, than the other football codes.

Alan Pearce, a neuroscientist and associate professor from La Trobe University's School of Allied Health, said the number of teenage footballers landing in hospital with concussion should be a major concern for the AFL and VFL. According to the data, a large majority of hospitalisations for concussion were in the 10-19 age group which made up 44 per cent of all football injuries that result in hospitalisation but more than two thirds of all concussions.

The never-before-released junior participation numbers that have NRL powerbrokers concerned

The *Herald* can reveal the greatest concern is the loss of close to 12,000 male tackle rugby league participants in Australia since 2015 (an eight per cent drop).

The NSWRL is doing a better job at stemming the flow but there are still 4000 less male participants in NSW over the same period, resulting in a 5 per cent decrease in boys and men's registered players in the state.

"The heartland of rugby league has been hardest hit. In Parramatta (second largest district) there has been a whopping 26 per cent decline in male tackle participation since 2015."

"South Sydney juniors have lost a staggering 30 per cent of males in that time. Western Suburbs, in south-west Sydney, **with a booming population** growth, has experienced an 18 per cent decline

"Talking to parents I've spoken to, they are concerned about their kids getting hurt (Peter V'landys NRL Chairman)

“To be totally transparent, we have spent tens of millions of dollars trying to increase participation,” V’landys said.

“The investment at this stage is not returning what it should.”

Such is the proof that the decline in Tasmanian AFL is consistent with a national decline trend in high contact football subject to brain impacts

**For the Tasmanian Government to rely on propaganda rather than releasing to the public AFL data demonstrating an increasing incidence of concussions amongst players which indicates that participation will continue to decline jeopardising the economic and social success of what has now become an estimated \$1 billion investment in a Hobart Stadium
This illustrates a serious ignorance towards both the health and wealth of the Tasmanian community**

Appendix 4

The Colin Carter Report

A licence for a Tasmanian team?

A Report to the AFL Commission Colin Carter July 2021

Level 51 101 Collins Street Melbourne Victoria 3000

30 July 2021

Mr Richard Goyder and Mr Gillon McLachlan AFL Commission Docklands Victoria

3008

Dear Richard and Gillon

This document responds to your invitation to assess whether Tasmania should be offered a licence to participate in the AFL/AFLW Competitions. The scope of this project has included assessing the well-argued case provided by the Tasmanian Government’s Task Force as well as additional research. I have also spoken with political, community and football leaders in Melbourne, Hobart and Launceston as well as the AFL executives who have held responsibilities for Tasmania. I am confident that I have been exposed to a range of views. I also understand that the final

decision will be made by the 18 AFL clubs. This question has been with us for a long time. It is also a long-term decision because we should expect that a new team will be with us in 100 years. Accordingly, it is hard to think of reasons for deferring the decision until something changes. This would be ‘kicking the can down the road’. The case for Tasmania rests on historical fairness and that the finances stack up. The case against argues that the club will be a financial drain and that in any case, Tasmanians are losing interest.

SUMMARY OF FINDINGS

The case for Tasmania is strong, and the recommendation is that Tasmania should be represented by a team in the AFL/AFLW national competitions - but the best form of that team is less clear-cut. It could take the form of a 19th licence and that case can be made. But re-location of an existing team if a club is keen to take that path, or a joint venture between Tasmanian stakeholders and a Victorian team that secures strong support in two markets from the outset, would arguably produce a more sustainable outcome.

Whatever form a team for Tasmania takes, it will remain dependent on State Government funding until the team achieves a minimum level of financial sustainability and it is important that this funding be secured ahead of any decision. Agreement must also be reached around provision of appropriate stadia and related facilities.

Reaching a ‘yes’ decision should not be influenced by COVID, but the implementation timetable should. The AFL and the clubs will reasonably minimise new financial risks and the clubs should not be asked for a final decision at a time when AFL industry finances are under stress. In the interim effort can go into agreeing matters such as the Tasmanian Government contribution as well as the possibility of relocation or joint venture arrangements. We note that the Task Force presented its report in 2019 and proposed the entry of a Tasmanian team six years later in 2025. The AFL can and should take the time to get this right.

The AFL’s ‘purpose’ is expressed as: “Progress the game, so that everyone can share in its heritage and possibilities”. The AFL’s vision is to be Australia’s national sport and a unifying social force, and presumably this applies to Tasmania which has been part of our heartland since the game’s earliest years. But Tasmania is the only state excluded from our national competition, and football’s position in that state is under threat.

Tasmanians feel let down by the AFL and lack of their team is the obvious sore point. There are obvious problems in Tasmanian football – less growth in participation, the failure of famous clubs, an unsuccessful State League and apparent decline in the number of players drafted. The absence of a player pathway to the top and the absence of their ‘own’ AFL team don’t help.

The case for Tasmania rests on two propositions: that the case is ‘deserving’ and the financial numbers stack up. That Tasmania ‘deserves’ an AFL team because of football’s history in that state is a widely held view. But the financial case is more complex.

.The Task Force's estimates of the new club's revenues and costs were pre-COVID and three numbers in the profit forecast stand out. The club will be profitable if it receives an AFL Distribution of \$17 million per year as well as a Tasmanian Government contribution of between \$7 and \$11 million per year. And no existing AFL club will be worse off because the AFL Distribution will be offset by the increase in media revenues arising from the eleven extra games.

In the past 12 months, AFL industry economics have changed significantly. Costs are scaled back, and AFL Distributions reduced. A pre-COVID Distribution of \$17 million will now be closer to \$15 million. But the conclusion does not change. An AFL Distribution of that size indicates that the new club will be one of our smaller clubs, in the middle of the bottom third of AFL clubs when it comes to wealth. However, it won't be our smallest team. Tasmania's population of 540,000 can support a team, but one positioned in the middle of the bottom third of the wealth ladder of our industry.

The main difference with the Task Force concerns its view that incremental media revenues will offset the AFL Distribution such that our industry is not worse off. The AFL doesn't accept this although it should be acknowledged that the Task Force and its media advisors have reiterated this position. But taking the more conservative view, the AFL will need to find around \$11 million per year – the Distribution of \$15 million less a possible media uptake of around \$4 million.

Some will take the view that if the new team requires AFL distributions larger than the base Distribution (currently around \$10 million); the case should be turned down. They seem to believe it possible to have a competition made up of teams that are all competitive and none requiring extra financial support. But competitions like that don't exist in the real world. Professional sporting competitions such as those in Europe and the USA commonly have large and small revenue teams which co-exist for very long times. The case for Tasmania looks much stronger when viewed from this perspective.

Our AFL strategy is based on 'competitive balance' or 'equalisation' principles which, by definition involves clubs receiving different AFL Distributions. If we approached 'competitive balance' as does the NFL in the US, support for a Tasmanian team becomes more obvious.

The AFL's financial support required for a Tasmanian team will be comparable to that already received by some existing AFL teams. Further, this document also points to several opportunities that could largely close the funding gap. The AFL's 'equalisation' levers can be adjusted and a small contribution from the players – achieved in ways that don't reduce player incomes – can be explored.

To some, if the net cost of \$11 million per year persists, the funds are better spent on other priorities such as the AFLW. But to others, this is an obviously good investment. It 'automatically' leads to a further \$25 million or so being raised in Tasmania from match attendees, members, sponsors and Government. This will be invested in Tasmania, helping to secure football's future.

A 19th licence is one option and is favoured by most that support the Tasmanian case. But it may not be the best option for Tasmanian football and achieving the required two-thirds support of the 18 AFL clubs may also be a challenge.

Attention has mostly focussed on obtaining a licence and less on the team's longer-term prospects. The new team will be one of our smaller clubs, reliant on substantial Government funding and relatively large AFL Distributions which is never a very comfortable place to be. Furthermore, the new club will face tough early years on-field as have our recent expansion teams and it is not the preferred option to have a new team struggle on field.

In this report, the usual arguments against a Tasmanian team are mostly refuted or the risks mitigated – the poor economy, player dilution, north/south rivalry and player attraction and retention. But 'retention' is hard to ignore. If the club is successful, the 'retention' argument fades because the evidence is that players will stay at a good club. But it becomes an issue if the club has too many poor years after start-up. On a population basis, there will be fewer Tasmanians in the team than there are locals in most AFL teams. This is when the 'go home' problem can arise.

Relocation of a Victorian team – if any team views that as an option - would substantially address start-up challenges and bring a strong membership component. A combined Tasmanian and Victorian support base would position the new club in the middle wealth ranks of AFL clubs, a formidable competitor on and off the field.

Re-location will be difficult to achieve because the decision will be made by club members but the notion of a 'joint venture' has been raised and should be considered. This might involve a Victorian team committing to a 'two market' strategy, playing most of its 'home' games in Tasmania (wearing the Tasmanian jumper) and playing most of its 'away' games in Melbourne where its Melbourne-based members have 'home game' privileges. Ownership would be structured 50/50 between an existing club and Tasmanian interests. The club would have priority for recruiting Tasmanian talent. If done well, this club would immediately sit in the middle ranks of the AFL club wealth ladder. While not their current preference -which reasonably is for a 19th licence – Tasmanian football people should consider this option carefully. A team that is highly reliant on government funding as well as requiring one of the higher AFL Distributions, will be in a more vulnerable place. A joint venture would avoid many of the issues faced by the addition of a new team

The risk of starting a new team in Tasmania can be managed regardless of which pathway is chosen. The Tasmanian Government's financial support must be confirmed in advance. The appetite for buying memberships can also be tested in advance. And the problems commonly raised – such as player retention, talent dilution and intrastate rivalries – mostly can be managed. Agreed, a 19- team competition with its odd number of teams is not perfect, but the case for it still stands. That said, a relocation or joint venture which has strong support for the team outside Tasmania would be even better.

Taking the long view, football in Tasmania is now at risk but the costs of securing it are reasonable. We can secure leadership in one of our heartland states and, in so doing, make an appreciable social and economic contribution to Tasmania – which is

what AFL clubs are doing in all other states. Creating Tasmania's space in our national competition helps to fulfill the AFL's 'purpose' and vision.

This document sets out the case and for ease of reading, the supporting analyses are referred to in the text but contained at the back of this document.

CONTEXT: 'FAIRNESS' AND UNDER THREAT

There is a widely held view, even on the mainland, that Tasmania "deserves" an AFL team. No argument is being made that the ACT, Cairns or Auckland 'deserve' a team. The 'deserve' case is because of Tasmania's long history with our game and the AFL's stated 'purpose' that all football followers be supported. As well, our position in that heartland market is threatened.

A Long History, But Under Threat: Our game has only survived for 150 years because of the commitment of people living in the four southern states of Australia. Three of those four states are represented in our 'national competition' but Tasmania is not. Our so-called 'national competition' now includes teams from all states, except Tasmania.

Being excluded is a recent experience for Tasmanians. For most of the 20th Century, the pinnacle of our game was the state team playing interstate competition. Tasmania was always included, but interstate football was replaced in the 1980s by the club-based national competition. Thus, the issue of Tasmanian non-representation has been with us for only the past 35 years.

Tasmania has been an 'Australian-Rules' state since early settlement with the first clubs formed in the 1860s and various leagues soon thereafter. Tasmania's contribution to our game has been substantial with around 400 Tasmanians having played in VFL/AFL teams. Some of our most famous players came from Tasmania: for example, there are 24 player Legends in the AFL Hall of Fame and four are Tasmanians - Darrel Baldock, Royce Hart, Peter Hudson and Ian Stewart. Tasmania has as many Legends as have South Australia and Western Australia combined.

Today, Tasmanians feel neglected by the AFL and the absence of a team is the sore point. With no team, there is less to inspire young people and no talent pathway to keep aspiring young players at home. Parts of the game are challenged – kids are playing other sports and school football is not in good shape. Participation numbers haven't shown the same level of growth achieved in other states (Exhibit 1). The absence of a 'pathway' leads talented players to leave Tasmania to play in the VFL, SANFL or WAFL – there are currently over 20 young players doing this. Famous clubs have closed or struggle to survive. The State League hasn't really worked. The numbers drafted to the AFL have dropped (Exhibit 2). Television brings the national competition to every home and inevitably erodes public interest in the local football leagues.

All of this shows up as declining interest in football although demographic shifts challenge our game everywhere. Separating out what results from not having an AFL team as opposed to these demographic shifts is not clear. However, the Task Force cites Gemba market research showing a decline of around 20 percent in the number of

football's 'fanatics' over the past decade and a doubling in the number of Tasmanians without a favourite AFL team.

The AFL's market research also shows the proportion of 'core fans' in Tasmania is now short of that in our other traditional states (Exhibit 3). The Task Force extrapolates these trends and sees football losing its position as Tasmania's favourite sport within a decade.

In recent decades, the AFL strategy has seen Victorian teams playing home games in Tasmania. Fitzroy did so in the early 1990s while St Kilda played games in Launceston between 2003 and 2006. Hawthorn began in 2001, playing four games each year in Launceston, and now has around 6,600 Tasmanian members. North Melbourne has played in Hobart since 2012 and now has around 3,200 local members. However, even where the clubs have done a good job, the 'fly in and fly out' model isn't embraced. Tasmanians don't see these teams as their own.

The decline in attendances at games in Tasmania is cited as evidence of declining interest. However, AFL fixturing mostly sends 'away' teams to Tasmania that draw small crowds in Melbourne, and which have never been supported by Tasmanians (Exhibit 4). That these games draw modest crowds in Tasmania is no surprise.

It seems self-evident that having an AFL team builds interest. The health of football in Perth and Adelaide would diminish without a team. Melbourne Storm strengthens rugby league support in Melbourne. Our teams in NSW and Queensland have increased interest in our game.

The good news is that Tasmania, as a traditional football state, is already converted to our game.

Tasmania's Case Now Seen in Different Light: Since the national competition was formed, there have been two significant changes which change how Tasmania's candidacy can be viewed. The economics of the AFL are much improved, and our competition's 'purpose' has changed.

The VFL competition was in serious financial trouble in the mid 1980s, it being before media revenues began to flow. New clubs were sought in markets that would be financially strong and offered to pay expensive licence fees. Tasmania didn't enter the discussions. There was no Christopher Skase or Geoffrey Edelsten making a pitch for Tasmania.

The other change, barely noticed by fans, is profound. There had never been an effective overarching body responsible for our game. The states managed their own competitions, often pillaging each other. The national competition was born when state-based agendas dominated, and what took place was a Victorian (VFL) takeover because the states could not agree on how a national competition would be structured. Being 'fair' was not part of the conversation and so where we find ourselves today is neither fair nor strategic. For decades we have supported a tenth team in Victoria but not a first team in Tasmania.

In the early 1990s the AFL accepted that it was ‘Keeper of the Code’, taking responsibility for the health of our game. This was a profound governance shift; no longer was football overseen by parochial state-based interests. The case for Tasmania is now seen through different eyes.

Today, the AFL’s ‘purpose’ is: “Progress the game, so that everyone can share in its heritage and possibilities”. Presumably, this applies to Tasmania. It seems fair to argue that the onus of proof is not on Tasmania to justify its inclusion. It is on those who say it should stay excluded.

The AFL’s Purpose is not to maximise shareholder value but rather to maximise enjoyment of our game – something that, of course, requires financial disciplines and avoidance of waste. Defending our traditional heartland is surely a priority so long as the cost is reasonable. The Tasmanian Government’s Task Force is the latest attempt to present Tasmania’s case. It argues that first, it is fair and equitable. Tasmania has been football heartland for 150 years and should be in any national competition. And second, the economic case measures up: the new team will be profitable and ‘net accretive’ to the existing AFL competition, even as a 19th team. No other AFL team will be worse off.

It is against this background that a Tasmanian team is assessed. The ‘fairness’ case is strong and so the key question is whether the economics of a Tasmanian team are sustainable.

THE ECONOMICS SAY ‘YES’ – BUT ‘BOTTOM THIRD’ AND NOT ‘ACCRETIVE’

There are several ways to test the new club’s viability. Profit forecasts indicate that the ‘business case’ is workable provided that substantial Tasmanian State Government support is assured by current and future Tasmanian Governments. Another approach is to assess the population base that sits behind the club because ‘size of supporter base’ drives club profitability. A market size of 540,000 does ‘make the cut’ although at the smaller end of our competition.

However, the uplift in media revenues may not offset the AFL Distribution, and it is estimated (using post-COVID figures) that our industry will need to find around \$11 million per year, an amount comparable that already received by some other teams in our competition.

Profit Forecasts in ‘Bottom Third’: The Task Force forecast that the new club will be profitable if it receives an AFL Distribution of \$17 million plus Government support of \$7.3 million each year.

The AFL Distribution is essentially the amount required to ensure a club’s viability and the pre-COVID Distribution of \$17 million positioned the new club 15th out of the 19 teams – in the middle of the bottom third of AFL teams. Also, given that the Task Force flagged a Tasmanian Government contribution of up to \$11 million, this profit forecast has some room to move.

In the last 12 months, the AFL and the clubs have reduced costs and consequently Distributions have reduced. Adjusting the Task Force numbers to today's finances, the new club will be profitable if it receives an AFL Distribution of around \$15 million plus the Government support.

Club profit forecasts are built upon assumptions, and there are specific issues in Tasmania which make revenue estimates difficult to pin down. For example, many Tasmanians already have an AFL team – some are even described as “rusted on”. We don't know how many will change teams or buy a second membership and whether that can be sustained over the long term.

The Task Force correctly argued that cost comparisons of AFL clubs are misleading because most now contain varying businesses such as gyms and pokies with differing cost structures. However, the cost of running football operations is well known (salary cap and soft cap) because these costs are regulated by the AFL. The Task Force estimated the total costs of running the football club at around \$31 million – before the costs of separate revenue raising businesses are added. This estimate of \$31 million was arguably tight before COVID but is now reasonable. Changes since COVID have taken between \$3 to \$5 million per year out of club cost structures.

The Task Force forecast sponsorship revenues would sit between the middle and bottom thirds of AFL club benchmarks. Re-setting sponsorship to the average of the clubs in the bottom third would reduce sponsorship income by around \$1 million. On club membership, the Task Force estimated membership at 38,000 which is plausible. Of the fourteen AFL clubs in our traditional markets, the lowest membership club now has 39,000 members. Most have more than 50,000 members.

Some 38,000 members represents the same per capita penetration that AFL clubs currently achieve across the traditional southern states (Exhibit 5). However, not all club members in Tasmania will join the new club; some will be members of other AFL clubs. Around 20 percent of AFL club members in all states belong to clubs based in other states. On the other hand, the Tasmanian club will secure members from outside the state. Tasmanians point to the Tasmanian diaspora although it is hard to estimate how large that will be

Some who see 38,000 members as optimistic doubt that the new club, from a standing start, could do so well. They point to the slow build of memberships in our newest clubs but the evidence from our traditional markets supports the contrary view. Adelaide, the Eagles and Port Adelaide sold more memberships than any of the Victorian clubs in their first years and Fremantle wasn't far behind (only two AFL clubs had higher memberships than Fremantle in that club's first year). Commenting on Adelaide's record membership numbers in that club's first year, the AFL 1991 Annual Report noted that “after a long wait, the football public of S.A. relished the thought of watching its team play”. Advocates for Tasmania argue that this will be their experience as well.

Some also suggest that the new club will not sell Eleven Game memberships because the games will be split between Hobart and Launceston. But AFL clubs sell memberships to supporters who attend very few games - it is their donation. Richmond, for example, sells around 22,000 ‘eleven game general admission’

memberships but this cohort only attends around two games each year. St Kilda sells around 7,300 and Geelong around 2,500 of these eleven-game memberships, but at both clubs these members attend, on average, only a little more than two games each year.

Tasmania is also challenged by its spread of population. Less than half of the state's population (47%) lives in Hobart while between 75% and 80% of the populations of Victoria, South Australia and Western Australia live in the capital city. The risk is that some will opt for less expensive membership – such as 'non-access'. Living far away makes this a reasonable thing to do.

The Task Force forecast a yield per member of \$128 per member which is a little higher than the AFL club average of \$120. Some will see this as a little optimistic

In summary, the costs look reasonable while the sponsorship, membership numbers and membership yield have more risk to the downside. Reducing the membership to 30,000, assuming an industry average yield and adjusting sponsorships to be equal to the clubs in the bottom third would remove around \$2.3 million from the Task Force profit forecast.

Importantly, the numbers still work. Along with an AFL Distribution of \$15 million, an increase in the Government support from \$7.3 to \$9.6 million per year is still inside the range of Government support outlined by the Task Force. And the Distribution positions the new club in the middle of the bottom third of all AFL clubs, but not outside the range nor at the bottom.

A Market of 540,000 Is Enough:

As a cross-check on profit forecasts, the population base from which the club draws its support can be assessed. Can a population of 540,000 support a team?

Club wealth is largely determined by the size of a club's supporter base (Exhibit 6) which is built over many decades. Supporters translate into numbers of members, sponsors, match attendees and purchasers of caps and scarves. The relative sizes of club supporter bases are hard to shift over time, in part because kids tend to follow their parents' team

The potential Tasmanian support base can be compared against other 'traditional' states. Ten clubs share Victoria's population of 6.6 million – an average of 660,000 persons per club.

AFL research data shows that larger Melbourne clubs have more than double the number of fans than do the smaller clubs. Auskick club affiliations are another indicator of market share of support because they point to the parents' choice of team – and larger clubs have more than three times the number of Auskick supporters than do the smallest Victorian clubs (Exhibit 7).

Hence, the support base of the smaller Victorian clubs must be well under the average of 660,000 persons and probably smaller than the Tasmanian population of 540,000.

AFL market research in S.A. puts the Adelaide/Port Adelaide split at 62/38 which would give Port Adelaide a population base of 670,000 (given the State population of 1.77 million). The Auskick affiliation split is 71/29 which would place Port's 'share' of the state at around 515,000 persons.

The point of this is to figure out where a Tasmanian club could potentially fit in the wealth 'ladder' of AFL clubs. Assuming it penetrates its home market of 540,000 in ways comparable to other traditional football states, the new team's profit potential will be at the smaller end of our competition - in the bottom third but not out of the range. This is the conclusion also separately reached by the Task Force and market research carried out by Gemba for the Task Force. It is also implied by the AFL Distribution forecast of around \$15 million per year.

The New Team Isn't 'Accretive' – some \$11 million short:

The other critical number is the Task Force view that the uplift in media revenues will be proportionate to the number of games. The extra eleven games per season will produce an additional \$17 million which offsets the (pre Covid) AFL Distribution of \$17 million. Hence, no existing AFL club will be worse off.

The AFL's position is that this is unlikely because the additional games will be less attractive to networks than the average game. The AFL is reluctant to provide estimates due to commercial considerations, but conversations inside and outside the AFL suggest that the incremental value of the eleven games is likely be a lesser amount, perhaps around \$3 to \$5 million per year

It should be noted, however, that the Task Force and its media advisors have reiterated their view that the additional games are plausibly valued at levels that largely offset the AFL Distribution.

Taking the more conservative view, the competition needs to find another (say) \$11 million per year – which is the (post-COVID) Distribution of \$15 million less a media uplift of around \$4m.

To some, this immediately proves the 'no' case, reckoning it a mistake to add a club that requires AFL Distributions above the base level. Such clubs are mendicants, and the AFL can better spend its money. But this is not the correct way to view these issues.

There are sources of funds that can offset that Distribution. And every professional sporting competition has large and small teams and so it is a policy issue as to how these are managed. The next sections outline the ways in which this funding requirement should be assessed.

SETTING THE BAR IN THE RIGHT PLACE

Some believe it possible to have competitions made up of teams that are all competitive and none requiring extra financial support. Clubs requiring higher AFL Distributions are often described by some critics as “on welfare”, “on the drip” and “obviously mismanaged”. The issue is simple: if the new team requires AFL Distributions larger than the base distribution, the case for Tasmania should be rejected.

But sport doesn’t work this way. A football competition is not just an ‘economic’ industry. It is also a ‘social compact’ in which large and small revenue teams co-exist for very long times. The case for Tasmania looks different when viewed from this perspective. Since the mid 1980s, our competition has based its strategy on ‘competitive balance’ or ‘equalisation’ principles which mean that, by definition, the smaller clubs receive additional support.

Sport - Not Just Another Industry:

Outside of sport, every competitive industry has large and small, profitable and unprofitable. In the commercial world, the weak eventually disappear - sold off, merged or closed. And if there are scale economies, the number of competitors dwindles, perhaps to a few. But that doesn’t happen in even the most aggressively professional sports.

The English Premier League, for example, has twenty teams and every team is over 100 years old. There is nothing like this seen in commercial life, nothing even remotely close to it. Commercial businesses that are 100 years old are rarities.

Our AFL competition has a few teams, like the Eagles and the Suns, that are ‘young’. But most are over 125 years old. Some are 150 years old. There is nothing remotely like this in industry.

The English Premier League’s teams are not only very old but also include large and small - and the gap between them is huge. The wealthiest, Manchester United, has more than five times the revenue of the smallest Premier League team (Exhibit 8) and that isn’t counting the many teams in lower divisions trying to get to the Premier League. The combined revenues of the top five Premier League teams exceeds that of the remaining fifteen teams.

And compared to other European football competitions, the EPL is almost a level playing field. Two teams in Scotland - Celtic and Rangers – have combined revenues that exceed the combined total of the other ten Premier league clubs. In Italy, Juventus revenue is around five times that of its smallest competitor in the top division. In Spain, Barcelona’s revenue is more than ten times that of its smallest competitor in the first division. In Germany, Bayern Munich’s revenue is more than four times that of most of its first division competitors.

In the US, the wealth difference between baseball teams is also large (Exhibit 9). The New York Yankees revenue is more than three times that of the smallest revenue club. Half of the 30 MLB teams have revenues that are less than half those of the richest few clubs.

In sporting competitions, the teams literally stay for 100 years but profound wealth inequalities also exist. There is no such thing as a professional sporting competition where every team makes an equal contribution – much as there is no competitive industry where every competitor is strong. But unlike in the commercial world, the smaller sporting teams survive, and the larger clubs accept that this is so. That is the ‘social compact’ and this needs to be understood to make sense of what a Tasmanian team means for our competition

‘Equalisation’ Is Key to Our Situation:

Sporting competitions around the world have different ways of dealing with their financial inequalities. Most accept large inequalities but very few teams win the prizes. The alternative strategy is to substantially reduce the inequalities, and the exemplar here is the National Football League (NFL) in the US.

In European football, the prizes are won by the very few and the concentration of success is astonishing. Just four clubs have won 26 of the 29 League titles in England since the Premier League was established (and Manchester United has won 13 of them). In Scotland, Celtic and Rangers have won every Scottish League title in the last 35 years. In Spain, Real Madrid and Barcelona have won 29 of the last 35 League titles. In Italy, Juventus has won nine of the last ten titles while in Germany, Bayern Munich has also won nine of the last ten. In Holland, two clubs – PSV Eindhoven and Ajax - have won 17 of the last 20 titles.

Not all competitions leave inequalities in place. Over the past decade, most of the European and American competitions have sought to reduce the gaps, but the leader in ‘equalisation’ has always been the National Football League in the US. The NFL’s approaches to draft, salary cap, list sizes and revenue sharing were copied by the AFL when forming our own ‘national competition’.

Unlike US baseball and European soccer leagues, the NFL’s media revenues are negotiated by the central body and none accrue directly to individual clubs. The NFL also ‘taxes’ the richest clubs by sharing gate revenues, which includes season’s ticketing. Every NFL club then receives an equal share of these pooled revenues. The result is that the revenue differences between NFL clubs are small compared to other codes. The wealthiest club (Dallas) reports revenues a little over double those of the least wealthy club, but the second wealthiest club’s revenues are only 60 percent higher than the least wealthy club (Exhibit 10). The revenues of 28 of the NFL’s 32 clubs sit at plus or minus 15 percent of the NFL median (21 teams are within plus or minus 10 percent).

Thus, the NFL seeks to level the playing field between large and small clubs because it believes that an even competition (Any Given Sunday) increases the value of the whole competition

The Green Bay Packers, a beneficiary of the NFL's equalisation, played in this year's Super Bowl. The population of Green Bay in Wisconsin is less than half the population of Hobart! And before that comparison is rejected, we note that the whole population of Wisconsin is a smaller percentage of the US population than is Tasmania's share of Australia's population! Green Bay is to the NFL what Tasmania would be to the AFL.

To only accept a Tasmanian team if it can pay its way without competition support is looking at the issue in the wrong way. Furthermore, many of our own AFL teams don't pass that test and will not do so for the next 100 years. Rather, the issue is whether the impact on competition finances is within a range that is affordable.

The AFL is not yet considering smaller markets like Darwin or Broome – or unconverted markets like Cairns, Newcastle or even Auckland. Rather, does Tasmania – a traditional football state - with population of 540,000 make the grade? It does. The level of support required for a Tasmanian team is within the range of supports provided to existing AFL clubs and is also within the range seen in overseas competitions as well.

Taking a Long-Term View:

In forming its view, the AFL must take a long-term perspective. As 'Keeper of the Code', the AFL's objective is not to maximise shareholder value which would inevitably favour shorter term decisions. Using business language, the AFL should assess its long-term competition plans with an exceedingly low discount rate (though to be clear, it should assess non-football plans such as real estate using normal commercial criteria)

To take two examples: The AFL Commission was under pressure in the early 1990s to close the Sydney Swans. That club was a drain on competition finances and interest rates were high. After ten years in Sydney, the club still had less than 3,000 members. The AFL's continued investment would have failed any 'net present value' test but closing the club down and exiting Sydney would have been a huge setback for our code.

An older example involves Hawthorn which joined the VFL in 1925 and finished 'bottom four' in 28 of its first 30 seasons. In that time, it 'won' twelve 'wooden spoons' and in no year finished higher than eighth in the 12-team competition. The club wouldn't have survived today's commercial assessments but since then has become the most successful club of the modern era.

The question with Tasmania is not whether its team can thrive without some additional financial support but rather whether that support is within an affordable range for our industry. The financial support required for a Tasmanian team – an AFL Distribution (less incremental media) of around \$11 million per year - is affordable and can be funded.

The AFL ‘equalises’, or redistributes, some revenue between clubs to create a competition where more than one or two clubs win all the time. Our strategy assumes unequal AFL Distributions but yes, the scale of the redistribution is important. Of course, this begs the question of what minimum level of economic performance should be required of our clubs, and our competition has not yet tackled that issue. In the US, NFL teams occasionally relocate in the search for better revenues. The NBA appears to have an interesting approach; each team is expected to earn revenues of at least 70 percent of the NBA team average.

A Tasmanian side will need support but only at levels comparable to that received by several other clubs. And at \$15 million pa (using post-COVID numbers), the Distribution would only be around \$5 to \$6 million more than the Base Distribution that even the wealthiest clubs receive. If we were talking about a much larger numbers, it would be a different conversation.

FUNDING THE DISTRIBUTION

The annual ‘investment’ required by our industry will, on the assumptions made, be a net \$11 million per year (the club’s Distribution of \$15m less the media uptake). That is the amount to which the new team may be ‘non accretive’.

A further issue is that North Melbourne and Hawthorn may no longer receive Tasmanian government support and both clubs will need to find significant replacement revenue streams. However, any increase in their funding requirements should not be added to the funding requirement for a new licence in Tasmania because the government has indicated that this support may end even if no licence is issued. As well, it appears that Hawthorn’s improved match returns at the MCG mean that it won’t be materially worse off.

To some, the additional net \$11 million per year to fund the Tasmanian licence already looks like a good investment. The direct ‘investment’ of the \$15 million Distribution into Tasmania leads to a further \$25 million per year being raised locally through sponsorships, memberships, government support and attendances. The result is that around \$40 million would be spent supporting football each year in that state. The AFL will have secured Tasmania as a core piece of its heartland while creating an organisation with around 100 or so jobs for players, former players and other officers. It will revitalise our code in Tasmania. It will provide a pathway for local talent. All of that for the net \$11 million per year sounds, at least to some, like a good deal. And presumably the cost is less than \$11 million if relocation or a joint venture materialises.

And there are ways to close the funding gap.

‘Tweak’ The Equalisation Formula:

The AFL can adjust its ‘equalisation’ policy, its approach currently being less ‘equalising’ than is, for example, the NFL’s.

Even if we accept that the wealth of our large clubs is enhanced by good management, it isn’t hard to see that they benefit from competition decisions. Large clubs are large

because of support bases built 50 to 100 years ago and today they routinely receive advantageous fixtures which deliver large gains.

As well, stadium capacities, which are competition decisions in our industry, work against the economics of smaller clubs through no fault of their own. And some non-Victorian clubs were given monopoly positions in their markets, inheriting much of the existing 'franchise' for interstate football. (The recommendation in the 1985 report that led to the national competition was that two clubs in each of Perth and Adelaide should start at the same time to prevent the first club in that city receiving a huge advantage that would last forever. Football politics scuttled this and so one club in each city has been dealt a winning hand).

A question for the AFL industry is whether these and other accrued advantages should, to some extent, be shared across the competition?

This is where the 'social compact' that binds a sporting league together comes into play. There are precedents in other competitions. In the US, baseball (MLB) imposes a tax that increases to 50 percent on high-spending club payrolls. Both the NBA and MLB, like the NFL, share some local revenues which we do not. In Holland, the three wealthiest clubs have recently agreed to share some of their UEFA winnings with the other clubs.

Here is a challenging thought for our industry. Some 72 percent of all revenues accruing to the NFL and its 32 clubs are pooled and shared equally. The comparable figure for our industry is less than 50 percent. If the AFL moved further in the NFL direction, the \$11m recedes as an issue.

Tasmanian Government Support:

The Task Force report assumes continuing State Government support of between \$7 and \$11 million per year, depending on what is required. We have worked with around \$10 million pa. What this means is that the viability of the Tasmanian club, at least for the foreseeable future, is substantially dependent on Government support.

The Task Force described the new club as sustainable "but requires both the AFL and Government to 'co-invest' in an AFL 19th Tasmanian-based team for the long term". That government support can last for decades may be viewed with scepticism, but the three main political parties assured their strong support. The Premier has outlined ways in which the financial commitment could be made to stick for the long term, and this is clearly a threshold issue.

The Government will need to commit to current and future Governments being a long-term investor, along with the AFL.

A State Government commitment substantially de-risks the project. And \$10 million is a huge number for a football club. To find an opportunity with annual profit of \$10 million would mean searching for businesses with turnover of \$100 million or more. Or put another way, \$10m equates to 78,000 members at an average AFL industry yield of \$128 per person. It is a massive amount. As such, a continuing government commitment is a very important part of the case, and reasonably a licence could be

made contingent on Tasmanian government funding until the Tasmanian team reaches a minimum hurdle of financial sustainability.

The reasons for the Government engagement are clear. In addition to intangibles, there is clear evidence of the economic benefit of playing AFL games. Data shows how many interstate visitors come for each Hawthorn and North Melbourne game as well as length of stay.

However, there are challenges inherent in the Government funding. While the genuine commitment of Tasmania's political leadership is not in doubt, sceptics will reasonably ask what happens in a decade or more? Taxpayer support may wane, and governments have various ways to re-balance the ledger – through rental and leasing charges, security and public transport charges and the like. Any football club dependent on taxpayer funding rather than the revenue that flows from its rock-solid supporter base is more vulnerable.

The Players Might Contribute:

The players have already helped secure the industry post COVID, but a case can be made for some contribution. A further 45 player positions are created as well as roles for former players, such as coaches. Some of the \$11 million might reasonably come from the players in their next agreement, and this could be achieved 'painlessly' by agreeing the much-talked-about reduction in list sizes. A reduction of two players from AFL lists would be more than offset by positions at the new club and would contribute at least \$3.5 million per year.

Other options have been considered. 'Managing Down Industry Costs' was assessed because a long-term view of the AFL industry's economics shows that most of the revenue growth finishes up in the industry's cost structures. What the AFL could do over the next five years, as a new team is planned, is to keep a squeeze on industry costs such that the \$11 million is not completely consumed by rising costs. However, given that the AFL has already squeezed industry costs in its response to COVID, it appears that squeezing further may be a step too far.

Finally, it should be noted that the Task Force and its media advisors have reiterated their position that the additional games should result in an increase in media income that largely offsets the AFL Distribution. However, this assessment takes a more conservative position. But even a portion of this possibility plus a 'tweak' of the equalisation formula and a contribution from the players would largely address the

THE 'PROBLEMS' CAN BE MANAGED

Several arguments against awarding a 19th Licence to a Tasmanian team have been raised and - as stated earlier – a relocation or joint venture would arguably produce a more sustainable outcome.

But none of the arguments warrant rejection of the Tasmanian case.

Fixture Complications are Difficult:

If it is a 19th team option instead of relocation or joint venture with an existing team, it introduces challenges with stadium availability because of the additional week required to complete 22 games for all 19 clubs. A bye must be scheduled each week. Clubs with a bye in the last week of the Season will be disadvantaged if playing finals, because there is already the end-of--season bye.

The extra week will be problematic due to stadium commitments.

But stadiums have few substantial revenue opportunities in late March and so it is hard to see solutions not reached. A bye in the final round and then facing another bye before Finals is easily fixed. In the past 20 years, there have only been three instances where teams finishing the season in bottom or second bottom ladder position have made the Finals in the following year - that is 3 times out of a possible 40. The AFL can fixture the teams that occupy the bottom two spots on the ladder to have the byes in the final two weeks of the following season.

And byes, while not ideal, are no longer viewed with complete disfavour. “We are now well accustomed to byes” is a common response. The AFL has also operated with an unequal number of teams in the past and the Canadian Football League has operated with an uneven number of teams for decades. But a 19-team competition is clearly a less satisfactory aspect of the case.

Player Talent Will be Diluted:

Talent dilution is not an issue because of population growth and lengthening player careers. One more team adds five percent to the player pool required but population growth has exceeded this. From 2011 to 2020, population growth in Victoria has been 21 percent, 13 percent in WA, 8 percent in SA and 6 percent in Tasmania.

And the length of player careers has increased substantially. For nearly 100 years, the average VFL/AFL player played fewer than 60 games. In 1990, the average player played in 62 games and this increased to 90 games by 2000. Today, the average player reaches around 125 career games which means that the average playing career has doubled in the past 30 years (Exhibit 11). This is a substantial increase in the availability of players and so ‘talent dilution’ is not an issue

Player Attraction and Retention will Struggle:

Some argue that Tasmania will be an unattractive destination for players and staff because Hobart is small and cold! However, the evidence in other codes as well as our own is that well-functioning clubs will attract and retain athletes regardless of the climate or how small is the town. And ironically, retention issues in the AFL have been most pressing in locations where climate and lifestyle are said to be attractive

But there is an issue here. Player and staff attraction/retention must be an important part of the new club’s strategy because most of the playing list will come from outside Tasmania. Experience suggests that if the club is not very successful, or if the prospects of success are poor, the ‘go home’ threat becomes real. This will be a particular challenge in the first five or more years of the new club’s existence as it builds from the ground up, as have our most recent expansion teams.

A survey of AFL players found nearly half believe that Tasmania should have a team. Some will not wish to go to Tasmania while others will because Hobart offers an attractive lifestyle. And the evidence is that if a club is well managed and successful, players will want to be there. But if the club is unsuccessful on the field, that will change.

We can be encouraged by what we see elsewhere. The most successful rugby club in the southern hemisphere is the Crusaders, based in Christchurch, a city slightly further south than Hobart. The Green Bay Packers is one of the NFL's most successful teams and yet the town and climate of Green Bay scarcely rate against other NFL locations. Only one of the 80 players on Green Bay's list did his college studies in Wisconsin. Aspiring soccer players leave Sydney to play in Europe where winters are far worse than in Tasmania. The top Premier League teams this year are Manchester City and Manchester United, but Manchester is not a top 'lifestyle' destination!

Intrastate Rivalries Will Undermine: The north-south rivalry is real but won't necessarily undermine support for a team. Tasmania supports its Sheffield Shield and Big Bash cricket teams. The early signs are that it will support its basketball team in the NBL.

The rivalry in football is long justified given that football for 100 years was north against south. And intrastate competition has been commonplace in other Australian states. Townsville and Cairns are rivals but support for Townsville's Cowboys is strong in Cairns. North Queenslanders are competitors to south-east Queensland but unite for State of Origin. Fierce club loyalties in the old WA and SA were put aside when the state team played Victoria. And state loyalties, while strong, are always shelved when Australia's national team is playing.

Football leaders in the north and south of Tasmania express commitment to a team based in Hobart but sharing games with Launceston. Half the state's population lives in Hobart which has good lifestyle, services and airport connectivity, university access, jobs for partners and spouses. And, compared to the mainland, it has modest housing prices and relatively lower cost of living.

Tasmania is a 'basket case':

The Tasmanian economy, aging population and higher levels of welfare dependency are often offered as reasons why a team in Tasmania is ill advised.

There are issues but none that should influence the decision on a team. Many of the indicators are now pointing in the right direction. For example, over the past 5 years, Tasmania's economy has grown at an average annual rate in line with the national average. Over the same five period, Tasmania's per capita economic growth has grown at more than double the national average.

Over the past five years, Tasmania's population has grown at around half the rate of the national average, but slightly faster than that of SA and WA. This has been a considerable improvement over the preceding twenty years when the Tasmanian population was in decline. In recent years, net migration has turned positive after being negative for many years. Climate change, the opportunities to work from home

or remotely, and lower costs of real estate are starting to have an impact on the attractiveness of Tasmania as a place to live and work.

Tasmania's unemployment is still above the national average, but the gap is closing. The population is marginally older than on the mainland – which will not help 'participation' but will not hurt 'membership'. And the gap in the number of young people is partly due to the lack of pathways that keep young people at home – of which the AFL system is an example. There are around 20 young Tasmanians playing in the VFL, SANFL and WAFL because there is no talent pathway at home.

The point here is not to engage in a deep analysis of the Tasmanian economy but rather to point out that many important indicators now point in the right direction. There is no reason to believe that the state's circumstances will deteriorate such that any current assessment is unsustainable. Why Tasmania and Not Elsewhere?

One unusual view offered was that simply because Tasmania is a state doesn't make the case any more logical. Why not Gippsland or Canberra, for example?

Any significant population centre is worth consideration. But few regions in Australia without AFL teams have population numbers as large as Tasmania's. And while Newcastle and Canberra are of interest, they have smaller populations than Tasmania and a large portion of those populations do not have football backgrounds. Their residents must be converted.

And state boundaries do matter – enormously. They are the basis for long-standing rivalries in most sports - from cricket to rowing to hockey to football. The first new AFL clubs in Perth and Adelaide – the Eagles and Crows – immediately 'inherited' over 100 years of state parochialism.

Tasmanians have a sense of identity that has been further fuelled by feelings of being put down and ignored – much as has fed passions in WA and SA when playing against Victoria. State rivalry is an important asset for a Tasmanian team, an asset not available to other regions around our country. Little of that nature exists, for example, in Gippsland.

CONTRIBUTION TO THE STATE WILL BE SIGNIFICANT

The AFL competition is a 'social compact' as well as an industry. Sport receives substantial government support, funded by taxes. "Doing good" in the community is part of the deal.

The AFL's engagement with Indigenous issues and now with women's sport have helped it build its reputation beyond football. An AFL team can contribute to social and economic change in Tasmania. While this will not be the AFL's primary motivation, it should not be discounted either. The AFL is a community organisation and the recent Super League uproar in Europe underscores this.

The AFL's purpose and vision include being Australia's national sport and a unifying social force. Living in Melbourne with its nine teams makes it hard to see how one team can make much difference. However, residents of Geelong and Townsville understand the impact of a national team. Tasmanians taste it when teams visit; businesses speak of the impact of visitors that come to AFL games.

The Cats and the Cowboys have noticeable impact on their regions, contributing to economic life through creating high value-adding jobs, attracting tourists and forging research partnerships with local universities. They contribute to community morale, a sense of identity and to community health by engaging in a wide range of programs that typically focus on the weak and vulnerable.

All 18 clubs do this – such as Collingwood's work with the homeless, Richmond's with Indigenous youth, Geelong's with school children on cyber-bullying and North Melbourne's with African communities in the northern and western suburbs. But Tasmania misses out and leaders lament the lack of sporting role models who can influence young people.

The influence of an iconic institution can be seen with MONA which has changed mainland perceptions of Hobart and Tasmania – and even Tasmanians' views of themselves. A successful sporting team in a national competition can also impact confidence and self-esteem. One AFL club leader described the possible impact of a team in Tasmania as *'amplifying the institutional power, influence and contribution of the AFL'*.

An AFL team will also encourage higher levels of participation in local football. Football participation has increased markedly in areas around the Suns. Tasmanians lament the lack of a pathway which can inspire young people to aim high at home.

While none of this, taken alone, will justify a team, the social contribution that the AFL can make to one of its heartland states should be a factor in the decision.

OTHER OPTIONS SHOULD BE EXPLORED

The case for a 19th Licence can be made. But that said, a conversation should take place about the long-term interests of football in Tasmania. A stand-alone team, formed from start-up, may not be the best option. Relocation or creative joint venture arrangements should be explored.

Stand-alone Start-up Faces Challenges:

Discussions mostly focus on 'deservedness' and financial sustainability but rarely address prospects on the field. A new team may face a long, tough period. Tasmania is not like the Eagles and Crows who were soon competitive with mature, high quality players drawn from their domestic competitions. Also, some have a romantic view about the number of Tasmanians in the team. On a proportionate population basis, Tasmania will do well to have two draftees each year. Its players will mostly come from other states.

A Tasmanian team will be built from the ground up, as were Gold Coast and GWS, and more than a few years of being well-beaten on the field awaits. After ten years, Gold Coast is yet to make the Finals. GWS has been more successful but took six years to play its first finals series. And it won only three games in its first two seasons. Retaining players will become a challenge if on-field results are poor. The 'go home' factor will loom large.

As well, even though the AFL pursues its 'equalisation' strategies, the four smallest Melbourne clubs have between them won only one AFL Men's premiership in the last 20 years and only three in the last 40 years.

Is this what Tasmania wants? It is more fun to follow a team that is financially strong, a formidable competitor and has success on the field. Is a team, destined to be in the least wealthy $\frac{1}{3}$ of the competition and substantially reliant on government funding, the best prospect?

Re-location and Other Options Should be Considered:

The scope of this work included assessing alternative models such as 'relocation'. This is a path worth considering. The size and accessibility of the Tasmanian market is a given, but can a Tasmanian team also grasp a portion of the Melbourne market – such that it achieves a set of economics that place it solidly in the middle ranks of AFL teams, positioning itself as a more formidable competitor?

Geelong is a successful AFL competitor and, as a regional team, is seen by some in Tasmania as an example of what Tasmania can achieve. Geelong sits in the 'middle wealth' rank of AFL clubs, but this is based on much more than capturing the Geelong region. Nearly 30 percent of Geelong's membership comes from Melbourne postcodes.

Geelong also plays several home games in Melbourne and other clubs seek new markets as well. Hawthorn and North Melbourne head to Tasmania. GWS is building support in the ACT. Other clubs play games in the Northern Territory and Cairns and even as far away as Shanghai.

If Tasmania, with its small population, wants to have a successful AFL team, it makes sense to explore options hitherto deemed unattractive. Re-location of a Melbourne team is viewed by many as unattractive, but this may be short-sighted. South Melbourne moved to Sydney and has re-positioned itself from 'basket case' to genuine 'middle power' in the AFL's league wealth tables. Sydney's supporters no longer fret about where their team came from. Taking the long-term view – and these issues should be considered in a 100-year context - the initial angst of Sydney fans lasted for about five minutes.

Relocation of a Melbourne team to Tasmania, with the expected AFL draft and financial concessions, would give a Tasmanian team a strong local position plus a valuable slice of the Melbourne market. Securing 40,000 members, or more, in Melbourne plus building an equivalent Tasmanian membership would make the team a formidable competitor.

The AFL Constitution reserves the right of the existing clubs to approve or reject the addition or deletion of a club and a two-thirds majority is required. A relocation would be attractive to 17 AFL clubs and their approval for such a deal would be a formality. It would keep the competition to 18 teams, it would address the financial issues for one of the existing clubs, and it would not necessitate draft disruption on the scale required with a 19th Licence.

Victorian clubs that struggle to keep up should look at this seriously. There is nothing to justify any belief that their circumstances can change, even through hard work. For example, over the past 35 years since the national competition was agreed, all clubs have been hugely successful in building their membership numbers. The largest four Victorian clubs have increased their membership across that period by an average of 6.4 times while the smallest clubs have increased theirs by 6.7 times. The relative wealth positions have not changed.

We know of only two instances where clubs have materially changed their competitive position in the past 50 years. One was Hawthorn which, in the 1970s and 1980s before the player draft, won eight premierships and played twelve grand finals over a twenty-year period. During that period of prolonged success, Hawthorn picked up a steady trickle of young supporters who adopt successful teams. Hawthorn dominated the 'market for kids' for two decades and that growth now resides among the club's middle-aged supporters. Because of the player draft, no club can do that again.

The other example is Sydney. South Melbourne relocated to Sydney in the early 1980s. Today, nearly 20 percent of its members live in Melbourne and the club has built its market in NSW. It is a middle-ranking club on the competition's wealth ladder – only possible because it relocated to new markets while keeping a foothold in Melbourne.

That is the opportunity available now. But it will not exist when a 19th Licence is issued. When that happens, the chance for a Victorian club to 'embrace' the Tasmanian market has gone.

The Terms of Reference for this assignment requested comment on competition structure, including relocation. It has not been appropriate to engage with clubs on this and, in any case, any incentives that the AFL might make should be made available to all clubs, by tender.

A commonly held view is that a 'relocation' is unlikely because club members will have the final vote. But other possibilities have been floated– such as a 20th team from northern Australia or forming a Tasmanian team through a joint venture between Tasmanian interests and a Victorian club – *'One Club, Two Cities'*. This arrangement would take football into new territory.

It might look something like this. The club board is shared 50/50 between the existing Victorian club and Tasmanian interests chosen by the Tasmanian Government (which has committed serious funds). Most of the team's home games are played in Tasmania while most of its 'away' games are played in Melbourne at which Melbourne-based fans have 'home' game entitlements.

The Tasmanian jumper is worn at all games in Tasmania. The other jumper is worn at ‘away’ games in Melbourne. The club, sited in Melbourne, commits to substantial time and effort in Tasmania including at least four days in Tasmania around each game in that state. Pre-season camps and pre-season games will be in Tasmania. The club commits to meaningful community programs in Tasmania. The team has the right to take players from Tasmania for the next ten years. At the end of (say) ten years, an appropriately chosen panel will assess where the bulk of the club’s support sits – in Melbourne or Tasmania – and that will define the future residency of the club.

An option like this, or a variation of it, might be explored and the lens through which this should be viewed is to ask what will make most sense in, say, 2050? The connection between a team and its local geography, once very strong, gets weaker by the year. In our competition, suburban rivalries were once important but now mean little. Overseas, the top sporting clubs are now global brands and most supporters only see their team on television rather than at the ground. That is the path we are also on and it will be even more the case in 2050. The positioning of a formidable Tasmanian team as an ‘Australian’ brand makes sense

WHAT COMES NEXT – A PATHWAY FORWARD

The recommendation is that Tasmania should be represented by a team in the AFL/AFLW national competitions. But the best form of that team is less clear-cut. It could take the form of a 19th licence, the re-location of an existing team, or a joint venture between Tasmanian stakeholders and a Victorian team that secures strong support in two markets.

Clearly the first step is to explore whether the relocation or joint venture options are realistic options. These discussions will be with Victorian clubs, the Tasmanian Government and Tasmanian football interests. As well – and in no particular order:

Timing:

Reaching a ‘yes’ decision should not be influenced by COVID, but the implementation timetable should. The AFL and the clubs will reasonably minimise new financial risks at this point and the clubs should not be asked to make a final decision while industry finances are under COVID stress. In the interim, effort can go into agreeing matters such as the Tasmanian Government contribution as well as the possibility of relocation or joint venture.

Stadiums:

A ‘stadium strategy’ will be needed. This report hasn’t addressed stadium detail because it is reasonable to assume that the Tasmanian government will address stadium requirements as governments have done so well in every other state. Significant investment will be required, and the Government’s Task Force included financial estimates for stadium and player facilities.

The Task Force correctly argued that a ‘clean’ stadium is important and that the stadiums in Hobart and Launceston should not be too large because that will undermine the new club’s economics. Reserved seat sales will be critical to the club’s

business model and success will depend on getting the supply/demand balance right. Federal and State Government support will be required for modern, fully equipped player facilities appropriate to Hobart and Launceston.

The Draft: The AFL has added seven new teams in the past thirty or so years and its accumulated experience should enable it to handle this appropriately. But the different experiences of Port Adelaide, Fremantle, Gold Coast and GWS are instructive. Port Adelaide was almost immediately competitive. There are lessons here to be learned and applied

State Structure and The Pathway:

An early step must be to resolve the future structure of senior football in Tasmania. Decisions are needed on whether a 'state league' makes sense or whether the effort should go into revitalising the district leagues. Figuring out what sits between the AFL/AFLW teams playing in national competitions and that level below will be critical to providing the player 'pathway'. It will need investment. Presumably, this will involve teams from Tasmania playing in the VFL and VFLW competitions

The Players:

Discussions should take place with the AFLPA about the player requirements to be provided for the team as well as a possible financial contribution to be made by players. This issue might be addressed through reducing list sizes for all teams. 'Equalisation':

The current 'equalisation' scheme needs adjustment. And unlike the US competitions where the private owners are around for decades, our club leaders change regularly and need to be informed about the 'competitive balance' principles that are central to AFL strategy. Insight into how overseas competitions handle the gaps between large and small teams is a pre-requisite to a sensible discussion about Tasmania.

Hawthorn and North Melbourne:

A Tasmanian licence will end the agreements whereby Hawthorn and North Melbourne play games in Tasmania. These clubs should be treated respectfully as they withdraw. Both clubs will need new revenue sources although the impact on Hawthorn may be minimal because returns from games moved back to the MCG have improved.

Northern Markets:

Discussion of Tasmania often elicits comments about the AFL's expansion teams. Can the AFL afford to do both? Should the Gold Coast be closed and moved to Tasmania? The Gold Coast and Western Sydney were 'generational' investments in markets that have 55 percent of Australia's population but had only two of our 16 teams. Success will be determined in 50 years rather than in five because football's supporter bases are built over generations. The growth in participation in NSW and

Queensland show encouraging progress (Exhibit 12) and any commitment to Tasmania must not undermine the AFL's intentions in these 'new' markets

The AFL might also encourage a more sensible narrative about what is being spent because the narrative will be the same for Tasmania. Too often the public hears about "spending \$100 million" on the Gold Coast – which is the multi- year total AFL Distribution but also an incomprehensible number that sounds like a huge waste. Using those same metrics, we are spending \$100 million in each of Adelaide and Perth and \$550 million in Victoria. The numbers are meaningless but play to a narrative that unfairly attacks newer clubs.

A more meaningful number for discussion is what do the two new clubs in expansion markets receive compared to the two most supported Victorian teams (who have been with us for over 125 years)? The answer is about \$5 million per club per year which is a modest amount when tackling a large new consumer market.

Reducing the Risks:

The AFL and Club leadership will necessarily focus on 'risks' and so a couple of points are worth noting.

First, the Task Force refers to the AFL and Government 'co-investing' in the team. Reaching early agreement about the level of support will be important. The Task Force speaks of between \$7 and \$11 million per year, presumably inflation adjusted, and this is an extremely important part of the new club's 'business case'. The support of the political parties in Tasmania appears firm, and it also appears that this support could be made solid by use of an Act of Parliament. The licence should be made contingent on Government funding until the team meets a minimum level of financial sustainability. It is also assumed that the level of Government support will depend on which of the 19th licence, relocation or joint venture options materialises.

Second, some interviewees in Tasmania suggested that the AFL can reduce its risk by offering a 'Ten Year Licence' which would be formally assessed (Continue or Cease) after ten years. This may be important to some clubs who worry about the future. •

Third, the AFL and Government can test the market in advance. The Hobart newspaper poll in which 60,000 said that they would buy a membership is often quoted but no-one has yet been asked to put their hands in their pockets. A 'Foundation Member' category could be established requiring at least 35,000 members within 12 months with a three-year commitment. The first year's commitment would be paid – but fully refunded if the team does not go ahead. This would also be targeted at the Tasmanian diaspora. Crowdfunding strategies might also be attractive.

A final observation: That the AFL is '***Keeper of the Code***' is more than spin. It defines the AFL's obligations as nation-wide and even more. The tragedy of football's past is that there were missed opportunities because they were no-one's responsibility. Little attention was given to NSW and Queensland until the past few decades. We lost our position in the ACT and Papua New Guinea. Less known is that New Zealand was a serious participant early in the 19th Century. At the 1908 national championships, New Zealand defeated both Queensland and NSW and even kicked

five goals against Victoria. But these promising shoots were not supported and died out.

Today, taking the long view, Tasmania is now at some risk. However, the costs of securing it are reasonable. It fulfills the 'purpose' of the AFL. It is the right thing to do.

I have appreciated the opportunity to participate in this review as well as the assistance from many who gave their time to help. I also thank Walter Lee and his team at the AFL as well as some of my former colleagues at BCG who provided pro-bono support. Premier Gutwein's office assisted in accessing many persons who had helpful views to express. The Task Force, led by Brett Godfrey, readily provided assistance when asked to do so.

My hope is that we are now closer to seeing a team that is 'owned' by Tasmanians but also financially strong and viewed as a formidable competitor. There will be setbacks – as there are for any team - but we should approach with anticipation the start of a great 100-year journey.

Yours sincerely
Colin Carter