

APPENDIX 1: RFU FINDINGS

Updated RFU findings

The rationale for the work completed to date was to build an objective and informed basis for judgements to be formed as to what is and isn't working within the current structure of the game and also to establish the principles for the right way forward.

As part of the process, the RFU assembled an extensive Fact Base and produced an initial Discussion Document, both of which were published on 9 February 2007 (available at www.rfu.com). Based on this initial phase of work, the RFU arrived at 14 preliminary findings which it believes need to be taken into account in considering whether and how to change the structure of the elite game in England. These are listed below:

- **ENGLAND SUCCESS:** A successful England team materially affects the level of interest, participation and the finances of the entire game in England. Given its importance, the structure of the game and decision making priorities should facilitate national team success.
- **CLUB SUCCESS:** Any change to the structure of the elite English game needs to recognise and build on the success of the professional club game.
- **PLAYER WELFARE:** There should be an improved approach to player welfare in the professional game; injury risk management is the most significant component and the highest priority.
- **EPS MANAGEMENT:** Overall management of EPS members should be the responsibility of the England management team.
- **EQP PLAYER PATHWAY:** The England player development pathway needs to be improved and made more transparent in order to support consistently high performance.
- **ELITE COACHING PATHWAY:** The elite coach development pathway needs to be improved in order to provide the coaching succession which will develop consistently high player performance.
- **SEASON STRUCTURE:** The season structure needs to be re-shaped to reduce the club v country tensions with consideration given to both the international and club game commitments. Both the club and the international playing programmes need to be considered.
- **CUP COMPETITIONS:** Any change of structure also needs to address the issues with the cup competitions, once the next phase of contracts are negotiated.
- **FINANCIAL MANAGEMENT:** A number of clubs now report an operating profit, but further improvements are needed in order to make most clubs financially self-sustainable. RFU investment in clubs continues to be required and this needs to be balanced with RFU commitments to the rest of the Game.
- **STADIUM INVESTMENT:** Most clubs need to invest in stadium capacity. Lack of control of stadia for ground sharing clubs presents issues.
- **PROMOTION AND RELEGATION:** The argument for continuing with promotion and relegation as opposed to affording Guinness Premiership clubs greater security of tenure in the league is finely balanced and is dependent on the priorities for the game.

- **SIZE OF THE LEAGUE:** Game economics do not appear to allow expansion of the Guinness Premiership in the short to medium term. A reduction in the number of clubs would bring economic benefits to the remaining clubs but this would need to be balanced against other game considerations. Remaining at 12 clubs retains the breadth of top tier representation while not disrupting the economics of the current league.
- **ROLE OF NATIONAL DIVISION ONE:** National Division One has a key role to play in the development of players, coaches, referees and clubs.
- **PROFESSIONAL GAME GOVERNANCE:** There must be a single and effective governance structure for the professional game.

Following the publication of the Fact Base and the initial Discussion Document, and as a result of the dialogue with a range of stakeholders in the game as well as further internal discussions, four additional issues for debate have been highlighted. These are listed below:

- **STANDARD OF PLAY:** The high number of matches, the associated fixture congestion and overlaps and arguably the motivation to avoid relegation have profound effects on the overall standard of play in the professional game, at club and international level; both levels of the game would benefit from increasing the overall standard of play.
- **COMPETITIVE BALANCE:** Achieving competitive balance in rugby may not be as relevant as in other sports without an international or cross border programme, but there is widespread concern that the current mechanism for regulating the competitive balance (the salary cap) is not working fully. The extent to which competitive balance is important and the mechanisms to achieve it are issues worthy of further debate.
- **ELITE REFEREE DEVELOPMENT PATHWAY:** Given the continuing development of the professional game in England, and at international level, England must continue to have a group of top quality elite match officials (and a strong pipeline of developing officials), displaying the knowledge and understanding to officiate at all levels of the professional game, to enhance the style of play and to support critical player welfare initiatives.
- **OVERALL FUNDING AND USE OF RESOURCES:** Revised elite player management arrangements and playing structures may need increased investment. Tough decisions may be needed to increase the flow of funding and to make more efficient use of the available resources, including reviewing the costs of administration and governance of the professional game.

APPENDIX 2: DESCRIPTION OF KEY TERMS

The **Long Form Agreement** is the mechanism by which Elite Rugby in England is currently governed. It was signed by the RFU, Premier Rugby Limited ("PRL") and the Premiership clubs, Premier Rugby Partnership ("PRP") and England Rugby Limited ("ERL") in 2001. This agreement covers a broad range of areas including the structure of the domestic league and cup competitions, entry criteria for clubs into the Premiership, discipline, player contracts, insurance, commercial rights and financial arrangements. Notice can be given to terminate the LFA from June 2008, and this would expire 12 months later.

The **Elite Player Squads** are comprised of three groups of players: 32 members of the EPS senior squad (current England players); 32 members of the Saxons squad (England A team); and 32 members of the elite Under 20 squad.

The **Elite Player Squad (EPS) Agreement** was entered into by the RFU and PRL in June 2004 and covers the conditions for EPS player release for England duty. This agreement will expire in October 2007.

A **Collective Bargaining Agreement** is normally designed to protect the welfare and financial interests of players while also insulating clubs from unaffordable or unreasonable wage inflation. So it would be designed to capture the following three aspects: a definition of acceptable working conditions for players; a structure which more effectively matches industry salary costs with industry income (whether through overall salary caps or, more commonly, detailed definitions of the salary band which players should expect given their level of experience); a controlled and fair distribution of any uplift in income to the various stakeholders of the game vs. a flow directly to one stakeholder (e.g. clubs or players).

Salary Caps ensure that the total allowable expenditure on players is fixed, thereby preventing any club spending more to increase its squad strength in depth relative to the other teams. Teams are free to determine the mix of players in their squad and even the number of players, so long as the salary cap is not breached. It can be hard to 'police' this system.

A **Player Roster** is a more prescriptive means of ensuring relatively equalised squad strength in depth, it specifies size of the squad and the mix of players that can be contracted. It regulates the categories of players that must be chosen in a squad, such as International players, experienced league players, emerging youth talent. It imposes quotas for each category and thereby an overall squad size cap, for example, setting the maximum number of international players allowed, thereby ensuring wider distribution of the leading players across the league and / or setting minimum levels of emerging youth players which must be included.

A **Player Draft System** is designed to allocate new talent across the teams in an equitable manner, including emerging youth players and International players that are new to the league. Players are assessed to determine their potential and then ranked in order of ability. Teams then take it in turns to choose players from this ranking, with the worst performing team having first choice and the top performing team having the last turn. This process allocates the best player to the team most in need. These 'first pick' players can also be traded to other teams in return for a different player / set of players which the lower performing team believes would be more beneficial to it.

APPENDIX 3: RESULTS OF FINANCIAL MODELLING

RFU funding under new options

The following table shows, for each option, the estimated new level of RFU funding, together with the increase (at the foot of each column) over the current level in the Base Case.

Professional clubs, players & PRA (£m)	BASE CASE		OPTION A		OPTION B	
	Total	Impact on clubs	Total	Impact on clubs	Total	Impact on clubs
Grant funding	2.2	2.2	0.0	0.0	0.0	0.0
Player appearance fees	1.8	-	1.8	-	1.8	-
EQP scheme	1.0	1.0	1.5	1.0	1.5	1.5
EPS player remuneration	0.0	0.0	6.0	6.0	6.0	6.0
Sub-total RFU "grant funding"	5.0	3.2	9.3	7.5	9.3	7.5
Additional player fees						
- Senior squad	0.5	-	0.5	-	0.5	-
- Saxons	0.4	-	0.4	-	0.4	-
Sub-total additional player fees	0.9	0.0	0.9	0.0	0.9	0.0
Players IP rights	0.8	-	0.8	-	0.8	-
Share of RFU upside	0.1	0.1	0.0	0.0	0.0	0.0
Academies	2.5	2.5	1.6	1.6	1.6	1.6
FDR funding	1.7	-	2.7	1.0	2.7	1.0
PRA funding	0.3	-	0.3	-	0.3	-
Anglo-Welsh retention	0.0	0.0	0.0	0.0	0.0	0.0
Total	11.3	5.8	15.6	10.1	15.6	10.1
<i>difference vs. current</i>	-	-	4.3	4.3	4.3	4.3

	OPTION C		OPTION D		OPTION E		OPTION F		PRL PROPOSAL	
	Total	Impact on clubs	Total	Impact on clubs	Total	Impact on clubs	Total	Impact on clubs	Total	Impact on clubs
	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	4.0	4.0
	1.8	-	1.8	-	1.8	-	1.8	-	0.0	-
	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	2.0	2.0
	6.0	6.0	6.0	6.0	8.2	8.2	8.2	8.2	6.4	6.4
	9.3	7.5	9.3	7.5	11.5	9.7	11.5	9.7	12.4	12.4
	0.5	-	0.5	-	0.5	-	0.5	-	2.3	-
	0.4	-	0.4	-	0.4	-	0.4	-	0.4	-
	0.9	0.0	0.9	0.0	0.9	0.0	0.9	0.0	2.7	0.0
	0.8	-	0.8	-	0.8	-	0.8	-	0.8	-
	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6	2.5	2.5
	2.7	1.0	2.7	1.0	2.7	1.0	2.7	1.0	2.7	1.0
	0.3	-	0.3	-	0.3	-	0.3	-	0.3	-
	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.5	0.5
	15.6	10.1	15.6	10.1	17.8	12.3	17.8	12.3	21.9	16.4
	4.3	4.3	4.3	4.3	6.6	6.6	6.6	6.6	10.6	10.6

Drivers of change in club profits

Each of the options results in changes to club profits, either because of changes in the level of RFU funding and/or changes to the clubs' revenues and costs. These are detailed in the table below.

	OPTION A	OPTION B	OPTION C	OPTION D	OPTION E	OPTION F	PRL
Change in share of central income	0.0	0.0	(4.1)	(6.0)	6.3	6.1	0.0
Media rights premium	0.0	2.4	2.1	0.0	2.2	2.5	0.0
Impact of repositioning senior national cup	0.0	(3.1)	(2.6)	0.0	0.0	(3.1)	0.0
Impact of removing senior national cup	0.0	0.0	0.0	(6.9)	(6.7)	0.0	0.0
Impact of change to squad size	0.0	5.3	5.3	2.2	4.6	4.6	0.0
Impact of change to number of matches	0.0	(5.9)	(2.8)	0.3	(3.7)	(3.8)	0.0
Impact of additional capacity	0.0	0.0	1.0	1.1	0.0	1.1	0.0
Impact of removal of parachute payment	0.0	0.0	0.8	0.8	0.0	0.8	0.0
Change in club costs/revenues	0.0	(1.3)	(0.3)	(8.5)	2.7	8.3	0.0
Increase in RFU funding	4.3	4.3	4.3	4.3	6.6	6.6	10.6
Combined effect on club profits	4.3	3.0	4.0	(4.2)	9.3	14.9	10.6