

# **The Game is not the Same - a History of Professional Rugby in New Zealand**

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## **Attestation of Authorship**

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"I hereby declare that this submission is my own work and that, to the best of my knowledge and belief, it contains no material previously published or written by another person nor material which to a substantial extent has been accepted for the qualification of any other degree or diploma of a university or other institution of higher learning except where due acknowledgement is made."

Gerard John Martin

## Acknowledgements

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As is often the case, preparing and then writing a thesis takes more than just the writer's time. External influences are important in determining in part, the ability of the writer to form the right arguments and the correct conclusions and to absorb the influences appropriate to preparing a sound dissertation. The gestation period of this thesis took place while I was working on a short-term contract as a writer/producer with TVNZ's website, nzzoom.com. Although the site has since been remodelled, re-launched and re-named (and the ethos expounded to me at the time of it becoming a third channel seems long forgotten), I am grateful for the mental space this sometimes part-time work allowed me. It is almost needless to add that this brief experience provided a useful backdrop to drafting a clearer vision of rugby's place in a media nexus.

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Completing this extensive masters thesis has taken far longer than I anticipated, but it was nonetheless enjoyable at every stage. I can now but hope that it proves a useful and instructive resource document for others.

## Abstract

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Rugby, an intensely physical team game that emphasised the contribution of players of disparate skills and strengths, was ideal for New Zealand's early European pioneers. It also suited the nature of the indigenous people. Rugby club competitions and provincial matches provided a significant social fulcrum and a means of playing out regional rivalries. Arduous, but ultimately successful rugby tours to Britain and Ireland, brought Pakeha and Maori together and helped to shape the young colony's self-image. New Zealand's commitment to its national game became instrumental in rugby's steadily growing international popularity.

Although rugby had significant commercial appeal, it remained an amateur sport in deference to its British originators. Nevertheless, New Zealand's hosting of the inaugural Rugby World Cup in 1987 coincided with the development of global media networks. By the third Rugby World Cup tournament in 1995, substantial commercial interest in the game meant that a transition to a professional structure was inevitable. Rugby appealed to media conglomerates needing new televisual product that would attract subscribers to growing pay-TV networks.

Although the introduction of professionalism was a major commercial success, the commercial imperatives imposed allowed rugby to be dominated by those with the most financial and player resources. As a consequence, New Zealand's traditional advantages were diluted. This generated considerable tension between New Zealand's professional game and its amateur grassroots level that has been rugby's traditional base. While supplying the game's players and

supporters, grassroots rugby has been the level of the game most vulnerable to the negative impact of professionalisation.

To generate the income to adequately fund the game's grassroots, it is critical that New Zealand's leading teams remain among the world's best. However, the professionalisation of rugby has made winning far more difficult than ever before. New Zealand rugby's challenge is to mitigate the commercial imperatives that place it at a significant disadvantage in the international game.

## Introduction

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Swift transition from an amateur code to a fully professional game ensured substantial change for rugby. By remaining true to its British public school origin, rugby had been partially insulated from commercial pressures common within major professional sports; yet, rugby had always been commercially attractive. In Chapter One, New Zealand's commitment to the game as an arbiter of its place in the world gave rugby an enduring status and national profile. The ability with which New Zealand played the game contributed to its development as a major international sport. But while it was eager to retain close links with rugby's home unions, New Zealand's prowess also challenged their ownership of the game.

In Chapter Two, New Zealand's hosting of the first Rugby World Cup in 1987 highlighted the game's commercial potential. Planning, training and coaching of rugby nations were influenced by the tournament's four-yearly cycle. But it also concentrated significant commercial interest in elite rugby. This led to the International Rugby Board (IRB) taking advantage of the Rugby World Cup to fund the game's development. Nevertheless, adherence to rugby's century-long amateur code generated tension between the IRB, its member unions and leading players. While remaining unpaid, the players' efforts earned substantial income for unions and the IRB. Ultimately, the development of media conglomerates (alongside the game's commercial appeal) was the catalyst for rugby's inevitable professionalisation.

Failure to adequately prepare for transition to open professionalism undermined the New Zealand Rugby Football Union's (NZRFU) links with its players.<sup>1</sup> This is the underlying theme of Chapter Three. The risk of losing players to a media-led professional rugby league competition (and a rebel rugby corporation) served to illustrate the players' commercial value. The New Zealand, South African and Australian (SANZAR) unions were forced to react quickly. Driven by a need for programming to build subscribers to its pay-TV networks, News Corp bought the televisual rights for new rugby competitions developed by the three southern hemisphere unions. The SANZAR unions used the income that broadcast rugby generated to pay and retain their elite players and to fund development of structures to manage the professional game. But with live televised broadcast of the game restricted to subscriber television networks (combined with the rising cost of match-day tickets), access to top level rugby in New Zealand became restricted to those who could afford it.

Commercial imperatives inherent within the professional game impacted upon the representative nature of New Zealand's provincial rugby unions. Chapter Four describes how the concentration of player, management and financial resources on the five unions chosen to host professional Super 12 franchises, led to a major imbalance in the domestic game. Players (and coaches and management) that wanted to advance their rugby careers transferred to unions that promised a salary and a pathway to higher honours. Financially vulnerable unions struggled to retain parity. Some were reduced to becoming feeder unions, subservient to those with more resources. Competition for scarce resources at this level of the game undermined its egalitarian nature. This also affected the provincial unions' ability to administer their amateur club competitions, rugby's traditional base.

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<sup>1</sup> Although now commonly known as the New Zealand Rugby Union (which the Union uses on a day-to-day basis), the union's constitutional title is the New Zealand Rugby Football Union (or NZRFU). For consistency, this is the title used throughout this thesis.

When the NZRFU failed to retain sub-hosting rights for the 2003 Rugby World Cup, a major review underlined the professional game's commercial pressures. The review emphasised the importance of major income streams from sponsorship and broadcasting for rugby's development. Chapter Five demonstrates that professionalisation of rugby among nations with far larger financial and playing resources significantly diluted New Zealand's traditional advantages. Centrally enforced constraints on the game, in particular those that negated revenue equalisation, created significant tension for rugby nations based in small economies. Some countries have little hope of competing effectively without relying on the IRB's financial support. In turn, the Board's focus on earning more income from the game increased the dependence of smaller rugby nations on its funding. The IRB's income maximisation objectives also preclude New Zealand from hosting the Rugby World Cup, despite its longstanding predominance in the international game.

For New Zealand to retain parity with far bigger rugby nations, it is critical that it retains a winning All Black team. In Chapter Six, the NZRFU's reliance on income from broadcasters and sponsors to achieve this goal is revealed by its preparation to renegotiate its broadcasting relationships. To strengthen its position, the NZRFU sought to reduce its financial exposure to the domestic game. It needed to be assured of the sustainability of its provincial unions. The risk of being excluded from the new Premier competition led to unions lobbying local government, businesses and communities to financially support their applications. In effect, smaller communities for whom rugby is a significant social fulcrum were asked to strengthen New Zealand's ability to compete internationally. Requests to fund major stadia upgrades ahead of important infrastructure projects demonstrate the tensions between the elite game and grassroots rugby.

Professionalism opened a major divide between the game's elite level and club and provincial rugby. The game's grassroots is under pressure to retain its prominence and inherent cultural importance. It is also the level of the game that provides rugby's future players and many of its supporters. However, it is also the part of the game that is the most vulnerable to professionalism's incumbent commercial imperatives. Addressing this imbalance is a major priority for the NZRFU. While elite players no longer rely on grassroots rugby to support their representative careers, the reverse is now true. Consequently, amateur club and provincial rugby is struggling at a time when many communities are being called upon to sustain the international game. This thesis delineates the unprecedented challenges the game faces as a consequence of its professionalisation. It also analyses the significant tension between needing to sustain the community level of the game while also funding its ongoing development by maximising income at the elite level.

## Chapter One:

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### Development of Britain's Game for an Elite Few into New Zealand's Game for Many

Rugby's founding myth is that it is a game derived from football. Its origin is linked to the youthful exuberance of an English public school student, William Webb Ellis, who in a game of football, picked up the ball and ran with it. Webb Ellis' fellow students at Rugby School were quick to accept his lead - however unintentional - and also took it upon themselves to pick-up and run with the ball. Challenges to the accuracy of the myth revolve around the realisation that it would be four years after his death that Webb Ellis was first mentioned as being responsible for the new handling game (Smith, 1999: 19).<sup>2</sup> Certainly there is a degree of convenient symbolism about the story of Webb Ellis. However, what rugby aficionados agree is that the name given the sport was appropriate; Rugby School was the first to develop basic rules for the new game. Nevertheless, its origin is further blurred by the opinions of sociologists who believe that rugby was the *forerunner* of football, rather than the more commonly accepted origin that supports the Webb Ellis story (Collins, 1997: 11). Neither explains how rugby would become New Zealand's national sport.

Notably, the long-time amateur ethos of rugby owes everything to its English public school origins. In its earliest years within public schools such as Rugby and Cambridge, sons of wealthy aristocrats and the upper and middle classes

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<sup>2</sup> William Webb Ellis was only first mentioned to have been responsible for the development of the 'handling game' four years after his death in 1872 and almost 55 years after the first handling incident occurred. In 1876, a former pupil of Rugby School wrote to the school magazine, recalling how he had heard that in a game of football at Rugby in 1823, Ellis had caught the ball (presumably in his role as goal-keeper) and instead of punting the ball forward as was the norm, had chosen to run with it toward the opposing goal. Years later, a former pupil of Rugby School, Thomas Harris, described Webb Ellis as "an admirable cricketer but (he) was generally regarded as inclined to take unfair advantages at football" (Smith, 1999: 14 - 21).

played rugby predominantly. This was an energetic, vigorous sport that was played by healthy and strong young men during the period between attending college and settling down to a life in business. With its attributes expounded by the affluent, rugby exemplified the 'muscular Christianity' common in the USA during the same period. Vigorous team sports were extolled as an ideal mechanism to train men to compete in the battle of life (McChesney, 1989: 52). However, in Wales it was working class men, particularly miners that would adopt the game as their own. There, rugby provided a focus for the new immigrant population to South Wales from elsewhere in the British Isles (Smith, 1999: 50). For the working classes in the rest of Great Britain, soccer (aka football) was already becoming the most popular team sport. It was a far easier game to play on the cobbled streets of most cities and towns (Reason & James, 1979: 31).

### **Rugby: Colonial Relationships and National Development**

As in Wales, the transportation of rugby to New Zealand was also due to immigration, predominantly from Great Britain, as settlers arrived after 1840. The new colonists brought with them the cultural and societal mores that saw parts of New Zealand begin to resemble the homes of its British immigrants (King, 2003: 24). This settlement programme paralleled the growth of organised team games in Great Britain and Ireland. While immigrant ships regularly travelled between Great Britain, Ireland and New Zealand, wealthy settler families would send their sons (and daughters) back to the mother country to be educated. On their return to New Zealand, they brought with them new games or refinements to games already being played (MacDonald, 1996: 4). Not surprisingly therefore it was the son of one of these families who should prove an early catalyst for the expansion of rugby. On his return to Nelson in 1870, C J Monro persuaded his peers to adopt the game that he had learnt while attending

school in England (Stewart, 1997: 39). The first recorded game of rugby in New Zealand took place in Nelson shortly after Monro's return, during May 1870 between Nelson Football Club and Monro's former school, Nelson College (Macdonald, 1996: 8). Later that year, Monro organised the first inter-provincial match, between players from Nelson and a Wellington team. Munro selected the Wellington team while he was living in the capital with his Parliamentary father (Palenski, 1992: 13 - 14).

Gradually, rugby (with new refinements to the game brought back from Great Britain and Ireland) took hold in other parts of New Zealand. In time, the game would encourage new converts. Among them were followers of other team games such as Victorian Rules, the forerunner of Australian Rules, Australia's national game (Knight, 2003: 19). In its earliest years, rugby suited the lifestyles of many settlers. They would develop a society with less rigid class distinctions and this was reflected in rugby's popularity. In towns such as Nelson and Wellington the game was played by insurance clerks, bank staff and postal workers that had the time and inclination to play a rugged team sport. As road and rail transport improved, the game expanded from the towns into the countryside, leading to the growth of rugby clubs in farming communities. In the years up to 1890, clubs and representative provincial teams multiplied as the structure of the game in New Zealand started to take shape (MacDonald, 1996: 11 - 12) (Palenski, 1992: 17). At its base were the clubs. To form rugby unions to represent geographic areas or provinces, clubs banded together to elect management who would select the best players. Following inter-provincial matches, a national team of the best provincial players would be chosen to represent the entire country (Knight, 2002a: D3).

A privately sponsored British rugby team toured New Zealand in 1888. Although the British won most of their 19 games, the New Zealanders learned

that there was little separating their players from the visitors. However, it was the competitive team attitude and the development of team tactics to win matches (rather than relying on exceptional individual skills) that impressed (Palenski, 1992: 21). A famous visit to Britain and Ireland later the same year by a team dominated by players of Maori descent demonstrated how quickly the New Zealanders had learnt from the visit of the British and Irish team. Dubbed 'the Natives' (despite the inclusion of a handful of players not born in New Zealand), the pioneering exploits of the team were a landmark in New Zealand rugby history. The length of the 107-match tour was groundbreaking for the times and had a powerful affect on the support and growth of the game in New Zealand (Verdon, 2003a: 32). Included in the team was Tom Ellison, an innovative rugby thinker and one of the first Maori to be admitted to the bar. On his return to New Zealand, Ellison wrote a seminal rugby book, *The Art of Rugby Football*, in which he argued for the compensation of players, noting the imposition of asking working men to sacrifice earnings to play a game that people paid to watch (Macdonald, 1996: 12 - 13).

For the English Rugby Football Union (RFU), Ellison's comments verged on blasphemy. Sensitivity to the possibility that players might be benefiting financially from rugby was influential. Observing the money being drawn into the management of rugby in working class northern Britain, the RFU was concerned for the future of the amateur game. Up to this time, rugby had been largely the domain of the British public school system (Stewart, 1997: 47). Playing of the game for its own sake without direct financial reward was a factor that remained of prime importance. Once students left school to run the family business or enter a profession, rugby clubs became a means of mixing socially with like-minded people from a similar class background. This feature of the game, that the RFU wanted to maintain and foster, effectively excluded the working classes.

Generally, working class men had little time for rugby in its earliest days. The demands of industrialisation consigned them to working 12-hour days, six days a week. It was not until rugby had taken a strong grip throughout Britain as a middle-class activity that workingmen discovered it. When a cogent structure for staging rugby matches was introduced, it was the working class teams from the north, honed by the physical nature of their mining and factory environment that began to dominate. Due to circumstances that made it essential to earn an income from whatever endeavour they entered, payment for high level sporting endeavours was commonplace. Playing rugby was no different and it was just a matter of time before the RFU would take exception. But rather than a reluctance to allow professional teams to play rugby, it was the desire to discourage working classes from adopting the game that was the primary motive.<sup>3</sup> When in 1895 the RFU threatened to suspend teams it believed were professionally financed, a group of clubs formed the breakaway Northern Union (Zavos, 2000: 202). Within three years, these 20 clubs had become 98 and with them came the development of rugby's offshoot and subsequent nemesis, rugby league (Smith, 1999: 32 - 33). Defections to the Northern Union undermined the traditional British game. RFU-affiliated club teams were reduced from 481 in 1893 to 244 clubs by 1903 (Ryan, 1993: 120). From its earliest origins, rugby league was played predominantly on a professional basis, developing into a popular game in its own right.

In New Zealand, the concern expressed in Great Britain towards financial underwriting of the Natives tour in 1888 (a reflection of the difficulty of organising national teams and major tours) stirred provinces into action. Delegates from each province were called together and in 1892 the New Zealand

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<sup>3</sup> To put this in context, W. G. Grace, England's famous cricketer, received £9,000 - an enormous amount at the time - from the revenues of a testimonial match staged in his honour - and continued to retain his amateur status (Smith, 1999: 33).

Rugby Football Union (NZRFU) was formed (Verdon, 2002a: 11) (Ryan, 1993: 119).<sup>4</sup> Among attendees at NZRFU's first annual meeting was the Wellington delegate, Tom Ellison, who famously proposed, "that the New Zealand representative colours be black jersey with silver fernleaf, black cap with silver monogram, white knickerbockers and black stockings" (Palenski, 1992: 24). This description, similar to the uniform worn by the Natives team of 1888, became the standard uniform of the national team that as a consequence, would become known as the All Blacks (Macdonald, 1996: 19).<sup>5</sup>

A level of national prominence, unprecedented for a New Zealand sports team, was accorded the country's first truly representative rugby team, chosen in 1903. New Zealand premier, Richard John Seddon, addressed the team before they left to tour Australia. "It behoves you footballers to uphold your country's highest reputation on the football field," said Seddon (Palenski, 2003: 20). The attractive style of game played by the New Zealand team drew large crowds to each match. The New Zealanders registered record scores while also winning their first ever test match, 22 - 3 over Australia; a testament to the development of rugby in New Zealand and the inventive style of game the All Blacks chose to play (Verdon, 2002a: 16). The natural ability of many players had already been acknowledged during semi-representative offshore tours. A correspondent for the Sydney Telegraph remarked upon the success of a team drawn from players nominated by the Auckland, Wellington, Otago and Canterbury unions that won all eight matches of a tour to New South Wales in 1884; "there was a natural

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<sup>4</sup> South Island unions initially held out due to their belief that it they were just as happy continuing to owe allegiance to the English union. The Southland and Canterbury unions were persuaded to join the NZRFU in 1894, with Otago, the union most willing to go its own way (for which it was formally criticised for undermining development of the NZRFU), finally joining the nascent national union a year later (Palenski, 1992: 22 - 25).

<sup>5</sup> Ellison was chosen to be the captain of the first New Zealand team selected under the auspices of the new union (Palenski, 1992: 22 - 24).

affinity,” he observed, “between the climate of New Zealand and the robust character of this outdoor sport” (Palenski, 2001: 30).<sup>6</sup>

Two years after the 1903 tour, the New Zealanders, captained by Boer War veteran, Dave Gallaher, ventured to Britain for a seven-month tour, playing all the four home nations (Chester & MacMillan, 1978: 22 – 31). Premier Seddon, facing an election, again demonstrated the national importance New Zealanders placed on the 1905 tour. In escorting the players from the ship that brought them home to Auckland, Seddon likened the efforts of the team to the contribution of revered Boer War veterans, Gallaher among them (Laidlaw, 1999: 21) (MacDonald, 1996: 23). Losing just one game after a disallowed try in the first-ever test against Wales (the leading British rugby-playing nation at the time), the New Zealand team returned to a heroes’ welcome and was subsequently dubbed ‘the Originals’ (Keith, 2003: 302). The team’s performance revealed the extent to which New Zealand had adopted the game as its own. To combat the British and Irish style of game, the Originals introduced innovative tactics and new skills to rugby, from skip passes in the backs to swivelling at the hip as the ball was passed, that have remained part of the game ever since (Reason & James, 1979: 51). Morrie MacKenzie summed up the team’s dedication to winning and their frequently ingenious on-field performances in his 1960 book, *All Blacks in Chains*. “Most British sides were baffled and bewildered by the systematic, machine-like rugby of these Antipodeans with an infinite variety of brilliant tactics and copybook moves. The scientific system of play, whose foundations had been laid in primitive tin sheds at night ... had proved its surpassing merit in the very home of the rugby game itself” (Verdon, 2002a: 17).

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<sup>6</sup> Another correspondent for the *Sportsman*, bemoaning Australia’s poor performance, commented that, “(rugby) will never become with us a leading game in the same sense as cricket,” suggesting a perceived inferiority toward rugby that remained with the Australians for almost 80 years (Palenski, 2001: 30).

So it was that New Zealand entered history in the northern hemisphere.<sup>7</sup> At the time, European New Zealanders, demonstrating in part the inferiority of new world colonials, believed that they could offer but few major contributions to the world, other than ability at rugby. Historian, Keith Sinclair, referred to rugby players being at the head of a gradual “export of brains” and one of New Zealand’s chief contributions to the world, ranking in importance alongside the like of physicist Lord Rutherford, painter Frances Hodgkins and author, Katherine Mansfield (Sinclair, 1988: 199). After the solitary loss by the 1905 Originals, it was another six years before the All Blacks would be beaten again, this for the first time, by Australia (Chester & MacMillan, 1978: 48 – 49).<sup>8</sup>

### **Rugby, Nationhood and War**

Such was the growing international prominence of rugby that matches of significance continued to be played during WW1. Soldiers of the New Zealand Division of the New Zealand Expeditionary Force serving on the Western Front played a number of unofficial rugby tests, including four against France (Pugsley, 2000: A14). In war, as in peace, rugby proved to be an integral part of the New Zealanders’ lives. King George V presented an award to the captain of a New Zealand Services team that won an inter-services rugby tournament played at the end of WW1, as troops waited for ships to transport them home (Palenski, 1992: 39). This was a fitting conclusion for New Zealand; they were

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<sup>7</sup> Although the British game was still feeling the affects of the loss of players to rugby league, the success of the 1905 side staggered the British rugby public. The Originals were accused of professionalism and of being sustained by magic Maori potions; some even suggested the All Blacks shirts were made of eel-skin to prevent tacklers from gaining a fair hold! (Reason & James, 1979: 54).

<sup>8</sup> Reports indicate that New Zealand was overpowered on the day by a superior Australian team. However, a pattern of regular competition between the two Trans Tasman neighbours was established and continues to the present day. Given the frequency of matches, the two teams came to know each other well; even so, losses to Australia - where rugby league was gaining in predominance alongside Australian Rules - were certainly the exception rather than the rule, such was the dominance of the New Zealand teams (Chester & MacMillan, 1978: 48 – 49).

justly proud of their feats in war, confident that they were as effective and as skilled as the best of any of their allies; and almost as important as their satisfaction in the feats of their all-conquering rugby teams.

The first visit of a touring national rugby team to New Zealand after WW1 was also the first by the South African team, the Springboks, in 1921. The tour ignited a fierce rivalry between the two former colonies. However, the Springbok tour had barely concluded before thoughts of New Zealanders were with the next major tour of Britain and Ireland. Although the loss of two warm-up matches (against an Australian state side and a New Zealand provincial team) did not bode well, the subsequent success of the 1924 All Black team, not unlike the Originals of 1905, became the source of rugby folklore and tremendous pride for New Zealand. A Parliamentary Luncheon preceded the long trip across the sea with farewell speeches from host, Governor General, Viscount Jellicoe, and Prime Minister, Bill Massey (Masters, 1928: 5 - 11). During their 7½-month tour (including travelling time) the All Blacks, with inventive play and superior on-field organisation, triumphed against all teams. It was only denied a comprehensive clean sweep of the home nations when Scotland declined to play the tourists due to a financial dispute that occurred during the 1905 tour (Verdon, 2002b: 61) (Reason & James, 1979: 54).<sup>9</sup>

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<sup>9</sup> Prior to the 1905 tour of Britain and Ireland, the All Blacks' team manager and a NZRFU representative in Britain negotiated a guaranteed appearance fee with each team. All agreed except Scotland, due to its belief that an appearance fee reeked of professionalism. Instead, the Scottish Rugby Union (SRU) offered the NZRFU the whole of the gate takings for the test, less match expenses. However, as the tour progressed and the very real attraction of the All Blacks became apparent, the SRU realised that as a result of its earlier parsimony, it would now incur a significant loss. Recognising their error, Scottish union officials only agreed that the game should go ahead with grim reluctance. Attendance at the match was 21,000, leaving the NZRFU with a tidy profit. Consequently, the SRU declined to be involved in preparation for the 1924 tour, taking away any opportunity for the All Blacks to claim a clean sweep of the home nations (Palenski, 2002: 136 - 137). It was not until 1978 that an All Black team finally achieved a Grand Slam of wins over each of the four home nations (McLean, 1979: 161).

'The Invincibles' as the 1924 tourists became known, returned unbeaten and as heroes from a tour that created legends.<sup>10</sup> Many were featured prominently on collector editions of popular consumer items such as cigarette cards. Among the team was George Nepia, a 19 year-old Maori All Black from the small East Coast province. Nepia played all 28 matches in Britain and Ireland, five lead-up matches in New Zealand and Australia and four more after leaving London, in France and Canada (Masters, 1928: 196). His exploits and ability ensured that Nepia became an early icon for the game. As a demonstration of its growing presence in the world, New Zealanders could measure their country's international prominence with satisfaction due to its contribution to the war effort and the prevailing strength of its rugby team; in fact, it had taken the game of the British middle and upper classes and made it the national game of all New Zealand.<sup>11</sup>

Not unlike the years of WWI, WWII failed to dampen New Zealand's enthusiasm for its national game. The connection between rugby and the international image of New Zealand had become as synonymous as is soccer with Brazil and cricket with the West Indies, in embodying the character of a nation (Rowe, McKay & Miller, 1998: 121). Rugby clubs had multiplied in many regions throughout New Zealand and formed the backbone of urban and provincial communities. They were a logical recruiting ground for prospective conscripts for the war effort.

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<sup>10</sup> However, their efforts and those of the Originals were allowed to over-shadow the success of the Natives team. It had toured Britain and Ireland before the Northern split had considerably weakened many of the teams that the Originals and Invincibles played (Ryan, 1993: 120).

<sup>11</sup> For Nepia, the years of the Great Depression shortly after, brought an end to his All Black career. Although his exploits on the field had made him famous, farm life during the depression was difficult and Nepia chose to supplement his meagre earnings by joining a professional rugby league team in London during 1935, effectively banning him from rugby. Years later, Nepia returned to New Zealand and played twice more for his home province of East Coast during the 1947 season. He played his last first-class match during 1950 aged 45, against Poverty Bay, in a team captained by his son, George junior (Male, 2000: 14).

Rugby again provided a backdrop to war.<sup>12</sup> Instead of travelling to South Africa for a scheduled tour in 1940, many All Blacks headed instead for North Africa, dressed in khaki battledress rather than NZRFU standard issue black blazer and grey trousers (Palenski, 1992: 62). The celebrated words of New Zealander John Mulgan, an Oxford Scholar and soldier for the British Army, written during the war but published in his *Report on Experience* two years after his death in 1945, summarised the extent to which rugby and war had been integrated into the psyche of the New Zealand male (Macdonald, 1996: 60) (Evans, 1972: 1). “Rugby football was the best of all our pleasures,” wrote Mulgan. “It was religion and desire and fulfilment all in one. Most New Zealanders can look back on a game which they played to win and whose issues seemed to them a good deal more important than a lot that has happened since. This phenomenon is greatly deprecated by a lot of thinkers who feel that an exaggerated attention to games gives the young a wrong sense of values. This may well be true, and if it is true, the majority of New Zealanders have a wrong sense of values for the whole of their lives. But to be frank, and since we live in a hard world, and one that has certainly not in my time got any softer, I found in wartime that there was a considerable virtue in men who had played games like professionals to win, (rather than) like public schoolboys and amateurs, for exercise” (Palenski, 1992: 131).<sup>13</sup>

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<sup>12</sup> One match in particular was staged in the desert between New Zealanders and South Africans shortly before the battle of El Alamein. Despite the impending battle, Field Marshall Montgomery ordered the game to go ahead as a means of creating a diversion for enemy reconnaissance aircraft. Montgomery hoped that the German pilots would conclude that no major offensive was planned if games of football were taking place (Macdonald, 1996: 59).

<sup>13</sup> Playwright, Greg McGee, echoed Mulgan’s insight into the game years later in his famous New Zealand play, ‘Foreskin’s Lament’. A former All Black trialist, McGee argued that rugby (in the form of club, provincial and international matches) dominated society in New Zealand in a way that was all encompassing, suffocating and certainly disturbing. With the play, McGee highlighted the common tendency for New Zealanders to recall history as based around the famous matches, itineraries and key characters of the rugby tour or matches being played out at the time. These appeared to be considered just as important, if not more so, as the other more far-reaching issues of the day. Although a controversial play at the time, due to its coarseness and

Despite the prevalence of attitudes inculcated within Mulgan's elite British education, he had little use of rugby as exercise alone. For Mulgan and his peers, not unlike war, rugby demonstrated a critical and intensely competitive battlefield where winning was the only option. It seemed appropriate that at the conclusion of WWII, rugby was used as a means to embrace the contribution of the Commonwealth in the defeat of the Nazis. A New Zealand army team, known as the Khaki Kiwis, was picked for a 38-match tour of Britain, France and Germany before any of the soldiers had returned to New Zealand. The team included former prisoners of war and just one current All Black, Charlie Saxton, who doubled as captain and coach (Mirams, 2004a: B16). But the aims of the tour, outlined by the general officer commanding the 2<sup>nd</sup> New Zealand Division, Bernard Freyberg, were irresistible; to help revive interest in rugby in Britain; to aid services charities; to benefit New Zealand rugby; to play bright, open rugby with the winning of the game the least important factor (Palenski, 1992: 64) (TVNZ, 2004).<sup>14</sup>

### **Rugby, Race and Political Division**

Tours of Ireland and Great Britain as New Zealand continued to bring rugby back to its place of origin - and reciprocal tours in New Zealand of British and Irish teams - were times of immense national importance. However, it was the tours and matches between the All Blacks and South Africa's national team, the Springboks, that represented the extreme test for the nation, not just on the rugby field, but socially and culturally. A New Zealand sports writer once commented that, "New Zealand and South Africa are the only two countries in the world

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the raw nerves it struck, Foreskin's Lament was summed up memorably by fellow playwright, Mervyn Thompson, as a play about "the state of the nation" (Neill, 1995: 10).

<sup>14</sup> Freyberg, a British officer with close New Zealand family connections, was knighted following WWII, and became New Zealand's Governor-General in 1946 (King, 2003: 413).

where rugby is ‘lived’ not merely played,” such was the importance the game had in both countries (Richards, 1999: 9). Both saw each other as hardy pioneering nations that valued physical prowess exemplified as much in playing rugby as in taming the land. National fervour for rugby was so strong that it was generally believed that world rugby standards were regularly set by South African and New Zealand teams (Colquhoun, 2003: B4). However, despite being connected by a passion for rugby, the racial and cultural dynamics of the two countries were markedly different. This led to spiralling tension, particularly in New Zealand, whenever the nations met on the rugby field.

From the time rugby evolved in South Africa as an expression of Afrikaner pioneering, non-whites were not treated as the equals of whites, on or off the rugby field (Laidlaw, 1973: 187 - 189). As a consequence, from the first years of contact between the two countries, non-white All Blacks were not welcome on tours to South Africa (Barrow, 1981: 119).<sup>15</sup> However, this contrasted with the contribution that Maori had made to international rugby, dating back to the Natives tour of 1888. In fact, one of the central national activities other than war, to which Maori contributed was rugby. For New Zealand men, Maori and Pakeha, playing and following rugby brought them together on many levels (King, 2003: 387). Nevertheless, the unease that many New Zealanders had for sporting contact with South Africa was insufficient to alter the NZRFU’s view that its contact with South Africa was good for rugby. The All Blacks’ 1949 tour to the republic continued this pattern.<sup>16</sup> Despite the involvement of the Maori battalion in WWII, Maori – and other non-white New Zealanders – were left

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<sup>15</sup> The laws that cemented South Africa’s apartheid system were progressively enacted in the period up to and including the election of South Africa’s National Party in 1948. To New Zealanders, this was unknown or irrelevant, although over the next twenty years this attitude would change (Richards, 1999: 13).

<sup>16</sup> This was first major rugby tour to take place following WWII. Such was the national importance of the tour that the All Blacks had three farewells – one from the governor general, a state farewell in Wellington and a civic farewell in Auckland (Richards, 1999: 18).

behind, as the NZRFU acquiesced to the request of the South African Rugby Board (SARB) for a whites-only team (Macdonald, 1996: 85).<sup>17</sup>

The comparatively prosperous post-war years of the 1950s and early 60s reinforced the centrality of rugby within New Zealand culture (King, 2003: 431 - 450) (Macdonald, 1996: 132). With the growing importance of rugby, the need to retain a winning record was paramount. Legendary stories of the commitment and dedication of leading players were increasingly commonplace. What's more, the All Blacks now had the growing pressures of the tradition and public expectations established by previous winning teams to uphold. In matching this and within the context of fairly stolid 1950s New Zealand, the All Blacks' rugby prowess became synonymous with tough, uncompromising forward play coupled with aggressive defence, rather than the outright attack and innovation of earlier eras. However, it was a style that proved formidable and the New Zealanders were unrivalled by any team, apart from South Africa (Laidlaw, 1973: 78).

When South Africa toured New Zealand in 1956, the series generated an unprecedented level of national fervour (despite protests against South Africa's apartheid regime and all-white team selection policy). It concluded with a famous test in front of a record crowd of 61,200 spectators, most in standing-only areas, at Auckland's Eden Park that sealed the series for New Zealand (Chester & McMillan, 1978: 198). Some years later, Ces Blazey, a senior rugby administrator during the period and later, the Chairman of the NZRFU, admitted that the 1956 series "reached a degree of importance greater than it should have been"

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<sup>17</sup> The South African Rugby Board (SARB) was the ruling body for rugby in South Africa and enforced apartheid in the game. Also operating was the South African Rugby Federation (SARF) for Coloured players, a South African African Rugby Union (SAARU) for Bantu players and the South African Rugby Union (SARU), a staunchly multi-racial organisation. Unlike the other three organisations, SARU didn't accept apartheid in sport. Its numbers far outweighed those of SAARU and SARF and was consistently attracting defectors from both (Laidlaw, 1973: 188).

(Palenski, 1992: 163). More than anything, this reflected the extent of nation-wide public interest in the tour.

The evolving relationship between government and the NZRFU regarding links with apartheid South Africa became a prominent feature of the political landscape. In 1967, New Zealand insisted that future tours of the republic would only be on New Zealand's terms (Laidlaw, 1973: 190). The All Black team that toured South Africa in 1970 included Maori and Pacific Island players in its midst. Nevertheless, general unease about sporting relations with South Africa had grown dramatically by the time of South Africa's 1981 tour to New Zealand. Just eight years earlier and with support from a growing anti-apartheid movement, the Labour government forced the NZRFU to cancel a planned 1973 tour by the Springboks when it withdrew visas for the team. The tour would have followed a Springbok tour to Australia in 1971 that had proceeded despite opposition from many organisations. Significant disruption at the last test of the tour was followed by the severing of ties by the Australian Rugby Union (ARU) with SARB (Unattributed, 1985a: S4.3).<sup>18</sup>

According to historian, Michael King, the decision in 1973 of Labour leader, Norman Kirk, to withdraw the Springboks' visas ranked in importance alongside the government's decision to withdraw the last of New Zealand's troops from Vietnam and its sending of a frigate to Moruroa Atoll in protest against French nuclear testing there (King, 2003: 462). However, after Kirk's death in 1974, Labour lost the 1975 general election. Robert Muldoon's National government stood back from influencing the NZRFU's decision to tour South Africa in 1976 (Richards, 1998: 124 - 133). Although SARB was forced by the NZRFU to

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<sup>18</sup> South Africa had toured Australia on four occasions - 1921, 1937, 1956 and 1971 - and had never lost a test. After the 1971 tour, the Springboks would not be invited back to Australia until after the dismantling of apartheid and the introduction of a new political order in the early 1990s (Unattributed, 1985a: S4.3).

welcome teams chosen on merit rather than colour, the Muldoon government's failure to prevent the tour in turn ignited an international outcry. Effectively, the NZRFU's decision and government inaction led to African athletes and others boycotting the 1976 Montreal Olympics due to New Zealand's presence (Sinclair, 1988: 317). Other nations boycotted the Commonwealth Games two years later and African athletes refused to compete at any athletic meetings that also included the celebrated New Zealand trio of Dick Quax, John Walker and Rod Dixon (Palenski, 1992: 166). The perception of New Zealanders that their nation was well regarded overseas, largely as a consequence of its rugby prowess and its contribution to the allies in major war efforts, was sorely tested by the international condemnation of rugby ties with apartheid South Africa.

By 1981, protests had become focused on the principle that South African sporting teams should be selected on non-racial grounds. In absence of acceptance of this principle, growing numbers of New Zealanders believed that the proposed rugby tour should not proceed (Hutchins, 1997: 93). But the idea of non-white Springboks remained anathema to the Afrikaner-dominated rugby union. Worse still, and in an election year, the Muldoon government appeared willing to allow the tour to go-ahead in order to generate public support for its strict law and order policies (Unattributed, 1981a: S1.2) (Unattributed, 1981b: S1.3). Such was the level of feeling against the tour, each match saw grounds encircled by barbed wire and uniformed police as a deterrent to would-be protestors. This proved insufficient when the Springboks' second game, against the Waikato provincial team, was abandoned after protestors broke through barbed wire barriers and invaded the ground (Cameron, 1981: 92 - 100). When the Springboks finally left for home after an extraordinary series of match-day riots, the *NZ Herald* printed what it termed the 'final score': 54% against the tour and 42% in favour (Unattributed, 1981c: S1.1). The cost of policing the Springbok tour was estimated to be \$NZ 3.7m (Unattributed, 1981d: S1.1). Subsequent

cancellation by West Indian leaders of a tour by New Zealand's cricket team to the Caribbean was followed by the prospect that New Zealand athletes would be boycotted by African and Asian nations at the next Commonwealth Games in Brisbane in 1982 (Unattributed, 1981e: S1.1) (McLean, 1981: S1.1). Years later, Prime Minister Jim Bolger, part of Muldoon's government in 1981, admitted that the tour had been a mistake. It had "reached into – and often divided – families, friends and communities throughout New Zealand, perhaps more than anything else in our recent history," said Bolger (Thomas, 2003: 58).<sup>19</sup>

Despite the unprecedented social upheaval of the 1981 Springbok tour, invitations to tour South Africa continued to be sent to the NZRFU; resolute as ever, the NZRFU went ahead with planning for the All Blacks' scheduled tour of South Africa in 1985 (Palenski, 1992: 167). Labour Prime Minister, David Lange, was reluctant to be as forthright as his Labour predecessor, Norman Kirk, had been in 1973.<sup>20</sup> Instead he attempted to pressure the NZRFU to cancel the tour itself (Unattributed, 1985b: S1.8). However, it was the actions of two Auckland lawyers, concerned at the disruption that the tour would cause, that led to it being called off. As rugby club members, they were linked to their province and to the NZRFU and therefore were distinguished from mere followers of the game (Unattributed, 1985c: S1.2). The case they presented to the High Court argued the tour would defeat the NZRFU's intention to foster the development of rugby. Initially the case was turned down, a decision that was overturned by the Court of Appeal, thereby returning the case to the High Court (Unattributed, 1985d: S1.1). The hearing of the substantive action to consider whether the NZRFU's

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<sup>19</sup> The 1981 election became dominated by the impact of the Springbok tour as well as expectations encouraged by the National government's 'Think Big' programme of major capital investment. National won, but only just. Subtracting the Speaker of the House, the Government had a majority of one.

<sup>20</sup> The decision of Prime Minister Muldoon to call a snap-election in mid-1984 proved the final downfall of his government, bringing David Lange's Labour party into government in an election landslide (Sinclair, 1988: 318 - 320).

decision to tour complied with its own objectives of promoting, fostering and developing the game, took place as the All Blacks were due to leave. Because it was obvious that the action would not be decided before the All Blacks left New Zealand, the plaintiffs applied for an interim injunction (Unattributed, 1985e: S1.20). The injunction was granted, effectively cancelling the tour (Unattributed, 1985f: S1.8).

The decision was welcomed across the Commonwealth and reduced any likelihood that New Zealand's hosting rights for the 1990 Commonwealth Games might be affected (Unattributed, 1985g: S1.8). In South Africa, the Appeal Court ruling was considered a blow as severe as its expulsion from the 1964 Olympic Games in Tokyo and the country's subsequent loss of membership of the International Cricket Conference (ICC). Asked leading Springbok, Naas Botha, "If they (the All Blacks) do not come, who will?" (Unattributed, 1985h: S1.3). In contrast, the president of the South African Council of Sport, Frank Van der Horst, declared that, "We, the oppressed majority of South Africa, thank the people of New Zealand and the rest of the world in assisting our struggle for equality in South African sport" (Unattributed, 1985i: S1.3).

After a hastily organised All Black tour to Argentina that replaced the cancelled South African tour, a group of senior players started secretly organising a tour to the republic. In 1986, a team known as the Cavaliers left to play a series of matches in South Africa without the knowledge of the NZRFU, but with the clear involvement of SARB. The South African union helped in the tour's organisation and in the hosting of the players.<sup>21</sup> Clubs and provinces were annoyed that key players had abandoned their teams for two months despite their previous support of the players' welfare. The team returned to New Zealand amidst

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<sup>21</sup> SARB took the opportunity to organise the tour around invitation matches to be played in Britain (Palenski, 1992: 170).

controversy and claims that huge sums had been paid to individuals to tour (Verdon, 2003b: 20).<sup>22</sup> The NZRFU barred all of the team from participating in the next two All Black tests, allowing new players to stake claims for positions (Turner, 2002: 129).<sup>23</sup> The government questioned the NZRFU's lenient treatment of the team's manager, Colin Meads, (who retained his All Blacks selector role for the 1986 season) and a spokesman for the Supreme Council for Sport in Africa said the players should be stood down for the remainder of the season (Unattributed, 1986a: S1.1) (Unattributed, 1986b: S1.20).

The NZRFU's relationship with SARB was in tatters (Howitt, 1986: 14 - 17). Invitations to tour South Africa continued to be sent to New Zealand but none would be accepted until after the dismantling of apartheid in the early 1990s (Palenski, 1992: 170). Eventually, New Zealand became the first official test opponent for post-apartheid South Africa in a one-off test in 1992, marking the first visit of an official All Black side since 1976 (Williams & Harding, 2000: 137).<sup>24</sup> In the intervening years, a new international competition, the Rugby World Cup, had been introduced by New Zealand and Australia and subsequently adopted by the International Rugby Board (IRB).<sup>25</sup> Excluded from

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<sup>22</sup> This was corroborated years later, when Fred Allen, All Black coach from the 1950s, confirmed he had been offered \$NZ 150,000 to coach the team. He declined the offer due to his belief that the tour was ill-conceived (Johnstone, 2002a: B10) (Verdon, 2003b: *ibid*).

<sup>23</sup> The new, young team was dubbed the Baby Blacks and surprised many by winning the subsequent test against France, but lost its next match, against Australia, by a point. Nevertheless, players that would dominate rugby in New Zealand for years to come, including future All Black captain, Sean Fitzpatrick, later the team's first captain in the post-professional era, were introduced during that series (Turner, 2002: 129 - 130).

<sup>24</sup> It was during a three test series in South Africa in 1996 that New Zealand eventually overcame history and beat their long-time rival in a series played in the republic (Verdon, 2002a: 198).

<sup>25</sup> The IRB was formed in 1886 as a consequence of a quarrel about a decision made during a match between England and Scotland two years earlier. Scotland agreed to concede the match if England would join the suggested International Board on equal terms with the three other home unions. England agreed to this on the proviso that it should have a weighted representation as its overseas affiliates swelled its numbers playing the game. The final weighting was set by

the first two events in 1987 and 1991, South Africa's return to the international rugby fold was completed when it was awarded the hosting rights of the 1995 event.

### **Local and Provincial Rugby**

New Zealand's rugby achievements on the international stage were a logical extension of the rivalries being played out between regions and provinces. Throughout New Zealand, rugby clubs developed as a social fulcrum within provincial and suburban communities. Significant social events were regularly hosted at rugby club venues, from weddings to community fund-raising gala days. In some instances, clubs were an extension of school loyalties; for example, students of New Plymouth Boys High School dominated the teams of the New Plymouth Old Boys club in Taranaki. Others were drawn to clubs that were dominated by rugby players of one particular religious persuasion; for example, Marist rugby clubs with long histories in Auckland and Wellington, still have a strong Catholic following (Fougere, 1989: 115) (Knight, 2003: 146 - 156).

Club matches were fiercely competitive. This was reflected in the close rivalries and traditional clashes between teams representing suburbs, regions, towns, and villages. Clubs that represented farming communities in particular, dominated the social life of smaller regions. The majority of players would stay with the same club throughout their rugby career, with some players starting as early as six to eight year olds in 'midget' rugby grades. Consequently, many All Blacks became just as closely associated with their club teams as they were with their

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arbitrators that confirmed England would have six seats on the new board and Ireland, Wales and Scotland would have two each. It was not until 1948, after England had given up two seats in 1911 and two more in 1948, that New Zealand, Australia and South Africa were introduced to the board and granted one seat each. Ten years later, these countries were provided two seats each. France was admitted as the eighth member of the Board in 1978 (Stewart, 1997: 44). Even so, the IRB remained heavily in favour of the five home unions right up until 1987 (Gray, 2002b).

provincial side. Club players that were selected for provincial and All Blacks teams would add tremendous kudos and pride to a club (Johnson, 2003: B22). The listing of each provincial player's club team in match-day programmes fostered the importance of club allegiance. In turn, All Black test match programmes would list the province that each player represented. It was common for All Blacks to return home from long tours and be back training with their club or provincial teams 24 to 36 hours later (Palenski, 2001: 169).

Such was the importance attributed to national selection it was common for clubs to provide financial or in-kind support for their All Black players. Most were required to take leave without pay from their jobs, or hire managers to run their farms or businesses during overseas tours or rugby tests in New Zealand; clubs helped out in their stead (Palenski, 2002: 165). In turn, All Blacks would be expected to make themselves available for various club duties such as end-of-season photos with lower grade teams.<sup>26</sup> An amateur operation, clubs were the grounding for rugby players of all skill levels. Teams competed for the right to call themselves the best club in their grade or within a region. The popularity of club rugby coincided with some of New Zealand's most successful seasons on the international stage, particularly in the 1950s and 60s. Clubs and provincial rugby were the foundation planks for the game (Gray, 2002a: D4). The farming communities of provinces such as Canterbury, Taranaki, Wairarapa and Waikato for example, produced renowned players such as Don Clarke, Brian Lochore, Stan and Colin Meads, Brian 'Jazz' Muller and Stan Hill. Each became famous for their fitness, commitment, strength and prowess in club, provincial and international rugby.

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<sup>26</sup> A case in point is the author's Eltham club primary-age rugby team accompanied by Eltham All Black, Brian (Jazz) Muller, in a 1973 team photo.

Within each province, the club competition would lead into pre-season games prior to the start of inter-provincial rugby matches. Each of the 30 rugby provinces would generally play between eight and twelve regular fixtures each season against traditional and neighbouring rugby rivals. Many were based around contests for the Ranfurly Shield that required the holder of the Shield to play a series of visiting teams at its home ground. Often, Shield challenges became dramatic struggles, some contributing to national folklore as leading teams and players sought to demonstrate their supremacy over one another (Palenski, 2002: 186). Provinces hosting the Shield for any length of time prospered, as local fervour would boost crowds at matches, contributing to inexorable increases in income for the local rugby union, hoteliers and accommodation providers. Many of the traditions that developed during the earliest years of the Ranfurly Shield continue into the present day (Knight, 2002b: 10).<sup>27</sup> However, due to the somewhat *lassiez faire* approach to staging provincial matches throughout a season, it was virtually impossible to identify the season's best provincial team.

It wasn't until 1975 that the NZRFU eventually approved the launch of a national inter-provincial competition (Romanos, 2002a: 147).<sup>28</sup> Initially, a national club rugby competition was suggested due to the considerable profile that club matches enjoyed. Club structures were also well supported in Ireland and Great Britain. However, due to the varying structures of New Zealand's club competitions, a provincial championship became the favoured option. Introduced in 1976, the National Provincial Championship, or NPC as it became

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<sup>27</sup> Governor General the Earl of Ranfurly, presented the Ranfurly Shield to the NZRFU in 1902. The first contest for the Shield was held in 1904 (Knight, 2002b: *ibid*).

<sup>28</sup> New Zealand's far-less fancied national football league had successfully introduced an inter-provincial soccer league six years before, in part, based on the long-standing structure of the professional English football league (Romanos, 2002a: *ibid*).

known, was a major improvement on the previous means of organising the provincial rugby season (Palenski, 1992: 135). Matches were more competitive as teams were placed within divisions that took into account their competitive ability. The champions of lower divisions were rewarded by promotion to the next higher division, with weaker teams relegated to the next lower division. The continued prestige of the Ranfurly Shield was demonstrated by the regularity with which the holder of the Shield was among the best NPC teams at the season's end. And a successful provincial team was usually presided over by a strong local club competition; the grassroots of the game.

The introduction of the NPC during a period of high inflation did however create difficulties. The billeting of players on tour as well as the arduous team bus-trips taken in preference to expensive air travel epitomised the financial difficulties of some unions. At the end of the 1977 season, rugby journalist, Bob Howitt, noted the reservations of the South Canterbury team after it had won a promotion/relegation game against First Division team, Marlborough. "South Canterbury officials were reported to be totally unenthusiastic about the victory because of the additional costs they are going to face next year. And Marlborough types, while a little deflated at losing (First Division) status, are relieved that 1978 won't be anything like such a drain on the union's resources" (Howitt, 1977: 8). From the late 1980s, the NPC developed a major profile and the NZRFU started referring to it as the world's best provincial rugby competition. This was despite parochialism within the NZRFU administration that caused obvious anomalies in the NPC structure that took years to resolve (Howitt, 1979: 100).<sup>29</sup> Senior players and leading provincial administrators often

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<sup>29</sup> Protection for a minimum of four South Island teams to remain each year in the First Division was withdrawn from the start of the 1984 season. This occurred some time after North Island team, Taranaki, was controversially relegated to the second division at the end of the 1979 season, despite three south island teams earning fewer competition points. The Taranaki and All Black captain of the time, Graham Mourie, admitted in his 1982 autobiography to still being "bitter at the treatment of the Taranaki team in 1979" (Mourie & Palenski, 1982: 233).

despaired at the difficulty of persuading the NZRFU to make improvements to the NPC. One example was the long-overdue introduction of semi-finals and finals series in 1992 that provided additional prestige to the competition. This had been recommended years earlier by former All Black captain Graham Mourie in his 1982 autobiography (Mourie & Palenski, 1982: 234) (Romanos, 2002a: 148).

### **Amateur Rugby and Commercial Imperatives**

Evenly matched NPC games increased spectator numbers. Consequently, the NZRFU and its unions started to earn higher gate revenues that were in turn used to improve match facilities for players and fans alike. Rugby was also attractive for corporate companies wanting to promote their products or services. Thus brewing giant, Lion Nathan, negotiated with the NZRFU to associate its premium brand, Steinlager, with the All Blacks (Macdonald, 1996: 122).<sup>30</sup> Initially, insurance company, National Mutual, later followed by the national airline, Air New Zealand, negotiated with the NZRFU to become involved with the NPC (Palenski, 1992: 135). For the NZRFU, Air New Zealand soon provided a cost-effective way to transport teams around the country and overseas. The airline gained significant commercial profile and promotional opportunities from association with the NPC, re-named in the early-90s as the Air New Zealand NPC.

Once the NZRFU started negotiating with sponsors to support its competition, provincial unions did the same to support their teams. However, volunteer

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<sup>30</sup> In the build-up to the first Rugby World Cup, in 1987, Lion Nathan commissioned a television campaign to promote Steinlager's association with the All Blacks. In positioning both Steinlager, and by association, the All Blacks within the brand's target market, the campaign highlighted the physical qualities of the team and was stylised to convey aspects of the All Black tradition. The campaign was also the beginning of the overt positioning of the All Blacks as a commodity and the players themselves as rugby professionals (Macdonald, 1996:123).

administrators within most unions did not have the business experience to properly manage commercial relationships and similarly, volunteer management also dominated the NZRFU. For rugby administrators, the playing of the game was the primary focus; only reluctantly were concessions made to the demands of outside commercial interests. It became notable that rugby administration was largely personality-driven rather than supported by the management structures epitomised by the companies that would negotiate with unions to sponsor their games. Corporates such as Air New Zealand were generally more aware of the benefits of aligning themselves with a successful national competition than was the NZRFU and provincial unions. It was often only perseverance on the part of prospective sponsors that allowed mutually advantageous relationships to develop. Formal accountabilities were unclear and union decisions would involve large committees and would often appear inconclusive and overtly wary of commercial interests. This reflected the amateur ethic within which rugby had long been couched, played and managed. Yet, this ethic was the very reason that rugby prospered at the grassroots level of the game at club, school and provincial level. Many people, whatever their commercial, playing or technical ability, could actively contribute to the development of rugby, a game about which they remained extremely passionate.

Slow adoption of commercial practices reflected the NZRFU's belief that the game should continue to be played on an amateur basis. This was in line with the ethos of the IRB (Gray, 2002b: B6). To maintain the amateur status of players, the NZRFU allowed only a modest daily expense allowance for All Blacks while on tour. Top players therefore, received only minimal recompense for time away from their jobs.<sup>31</sup> It ensured that leading players relied on the goodwill of their

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<sup>31</sup> This contrasted poorly with the allowance paid to New Zealand's national cricket team. Although considered amateurs, each team member earned £650/month during a tour of South Africa in 1953. The same year, the All Blacks received a weekly allowance of £2.10s that was not much better, in real terms, than the 3s paid the Originals 50 years earlier (Palenski, 2001: 167).

clubs, friends, families and employers to play top-level rugby. Some would decline to tour or retire from top-level rugby early, simply because the financial sacrifices were too great, despite the pride of being chosen for national representation (Howitt, 1979: 8). Others would eschew playing in important domestic matches due to the pressures of work or study (Cameron, 1971: 5). Nevertheless, the requirement for players to remain amateur was strictly enforced.

The threat of excommunication from rugby should financial return for playing be claimed by players was used by the NZRFU to keep players in the game (Romanos, 2002: 46).<sup>32</sup> This reflected a growing official awareness during the late 1970s and 1980s that leading players could take financial advantage of their rugby playing ability. Some chose to play off-seasons for club teams in the northern hemisphere, notably in France and Italy, where interpretation of amateur requirements were more relaxed than elsewhere (Quinn, 2000: 104) (Laidlaw, 1973: 177). Arrangements to play would be in return for free or inexpensive accommodation for players, short-term well-paid work and some unofficial payment. Most would use any unofficial income to compensate for their inability to work a full-time job while playing representative rugby back in New Zealand. Others again, such as Colin Meads on the release of his biography in 1973, acknowledged their earnings and would gain clearance from the NZRFU to lodge any rugby-related income in a trust fund, administered by a solicitor (Howitt, 1978: 9). Nevertheless, it was clear that the NZRFU had sufficient

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<sup>32</sup> This fate fell to former All Black captain, Graham Mourie, when he published his autobiography on retiring from international rugby. Despite the high regard in which Mourie was held as one of the most successful of All Black captains, his decision to openly accept his share of royalties earned from the book transgressed the NZRFU's amateur rules. As a consequence, Mourie was deemed to have gained a commercial advantage from rugby and was controversially banned from any involvement with the game for many years (Romanos, 2002: 46). In contrast and in part demonstrating the uncertain nature of NZRFU rulings during the amateur era, Mourie's All Black teammate, Andy Haden, when releasing his autobiography, announced he was a writer by profession. On that basis, Haden was allowed to claim his book royalties without impunity (Palenski, 2001: 164).

earnings to pay players a fair wage that would at least compensate for any loss of earnings. Matches between touring teams and New Zealand's provincial teams were attracting record crowds that were only exceeded by the numbers drawn to test matches in the four metropolitan centres. Yet, provincial players did not benefit from rising ground revenues. For the NZRFU, the discrepancy between the amateur ethic and the increasing commercial value of the games became difficult to justify.

The NZRFU was also trying to manage the introduction of television broadcasts of sports events, as was common overseas. Prior to the introduction of television, radio broadcasts had revolutionised the impact of rugby by transmitting matches to every corner of New Zealand and sometimes far beyond (Laidlaw, 1973: 140). Broadcaster, Winston McCarthy, set the standard for the earliest years of radio commentary (Marshall, 2004: B10). He became closely entwined with the promotion and development of teams and players to hero status, as radio swept the country during the 1950s. A key ritual within society had been established – that of live radio broadcasts of test matches within New Zealand and overseas, that formed a conduit for the country to come together for matches of national importance.<sup>33</sup> The 1960s saw a maturing of this style of broadcasting as other commentators adopted McCarthy's loud, passionate and vigorous style.

The height of the radio era lasted until the introduction of live television broadcasts that started to predominate from the late 1960s. In the United States, the National Football League and CBS had pioneered the national broadcast of American football matches as early as 1962 (Whitson, 1998: 64). By the early 1970s, while sports such as local basketball were being telecast live in New

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<sup>33</sup> This was best demonstrated when many thousands of New Zealanders tuned into radio broadcasts during the night as the All Blacks teams of the 1950s, 60s and 70s successfully took on all-comers during extensive northern hemisphere and South African tours.

Zealand (and radio broadcasts were carried nationwide), the NZRFU was regularly refusing to agree to live telecast of All Black matches (Unattributed, 1971: 11). The NZRFU, focused primarily on earning revenue from gate sales at matches, was wary of the impact that a live telecast would have on match day attendance (Quinn, 2000: 42). The union finally acceded to the wishes of New Zealand's sole television broadcaster, the government-owned New Zealand Broadcasting Corporation (NZBC) in 1972 when the third match in a home three-test series against Australia was broadcast live throughout New Zealand.<sup>34</sup>

Although the fixture had little competitive significance - the series had already been won convincingly by New Zealand and, so too was this third match, by a record margin - the match drew the largest crowd of the Australian series, with 43,000 spectators at Auckland's Eden Park (McLean, 1972: 2.1) (Unattributed, 1972a: 1).<sup>35</sup> However, the live broadcast affected attendance at other matches played concurrently; only 1,750 people turned out to see a Ranfurly Shield challenge in Christchurch (albeit a one-sided affair between holders Canterbury - missing a handful of its All Blacks on test-duty - and the lowly West Coast team), while another provincial match in Wellington drew only 1,500 (Unattributed, 1972b: 1.3).

Nevertheless, the NZBC realised it had negotiated a good deal with the NZRFU. Due to its focus on gate sales, the union was unaware of the commercial value

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<sup>34</sup> The New Zealand Broadcasting Corporation (NZBC) was established in 1962 to run the national radio service and subsequently, television. In 1975, the NZBC was dissolved and replaced by separately managed organisations Television One, Television Two and Radio New Zealand. The Broadcasting Corporation of New Zealand (BCNZ) was formed in 1980 to merge both television channels into a single corporation. After eight years, the BCNZ was disestablished to allow the formation of the state-owned enterprise, Television New Zealand, an autonomous commercial television company (Television New Zealand, 2005).

<sup>35</sup> The combination of the live telecast of the test and the poor record of the 1972 Wallaby team led Eden Park management to decide against installing the temporary seating that in recent years had boosted possible capacity to 55,000. For the Australian test, the match-day capacity was thought to be 49,000 (Unattributed, 1972a: 1).

the NZBC placed on telecast of sports matches. The NZBC knew it had a guaranteed audience for live telecast of major matches and could earn maximum revenue from advertisers willing to be featured within the broadcast. At least as many as ten times more viewers than match-day spectators were estimated to have watched the live broadcast of the Auckland test (Unattributed, 1972c: 1.6). However, the NZRFU charged just \$NZ 8,750 for live telecast broadcast rights of the test, in contrast to \$NZ 73,000 it earned from match-day spectators (Turkel, 1972: 1.13). Later in 1972, the NZBC agreed with a UK broadcaster to pay more than twice the price it negotiated for the Eden Park test, for the live broadcast by satellite of each of the five tests during the All Blacks' end-of-year tour to Great Britain, Ireland and France, screened to an estimated 200,000 New Zealand viewers during the early hours of Sunday morning. The NZBC also considered screening additional non-test matches from the tour "if it could sell more advertising time" (Unattributed, 1972d: 1.13) (Chester & McMillan, 1978: 325). The strong commercial value of the live broadcast of All Blacks' matches was established. Rather than experiencing reduced match-day profits, the NZRFU stood to increase its earnings.<sup>36</sup>

The 1977 British Lions tour to New Zealand was a pivotal point in realising the commercial value of international rugby. With live broadcasts of international sporting events - such as the 1976 Olympic Games - commonplace, the NZRFU had accepted that the broadcast of rugby matches could earn good money, in addition to ticket sales at matches. Consisting of 25 matches including four tests

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<sup>36</sup> Nevertheless, this wasn't the end of the NZRFU's reluctance to allow live telecast of its matches. For a period in the 1970s, the NZRFU refused to allow NZBC (and later, Television One) to announce which match it might be telecasting until the match itself was starting. Spectators would attend a match in their city and from seeing the presence of television outside-broadcast vans, discover that it was also being telecast live (Palenski, 1992: 145). A reluctance to risk diluting match-day ticket sales was also common among administrators of major sports in Britain, Canada and the US. Consequently, it was lesser sports that were keen to have their matches promoted via live broadcast (to compensate for low match-day support) that would benefit (Unattributed, 1972d: 1.3).

(won 3-1 by the All Blacks), the Lions' tour matches earned \$NZ 2 million for the NZRFU, a particularly significant sum for the times (Chester & McMillan, 1978: 356 - 363). In contrast, the 1977 Rugby Annual reported player dissatisfaction with the NZRFU decision to cut back match-related incidental expenses for senior All Blacks during the season (Howitt, 1977: 8).<sup>37</sup> Nevertheless, the success of the All Blacks that year and the inclusion of young new players and a new captain, Graeme Mourie, encouraged Television One to dispatch its first ever, full television production team to cover an end-of-season All Black tour to France (Quinn, 2000: 103). Just as radio broadcasts had done, the country was brought together almost as one, via the live telecast of major matches and provincial games, literally from the other side of the globe. Together, New Zealanders would witness the successes and disappointments of their national team.

The international reach of rugby broadcasts was no better demonstrated than for the first Rugby World Cup. It was a concept long in development. The first major Rugby World Cup proposal, presented to the IRB by an independent promoter in 1982, was turned down. However, after presentation of a series of proposals to the IRB (including one from France), the world's main rugby-playing nations agreed in 1985 that the first Rugby World Cup would be hosted by New Zealand and Australia just two years later.<sup>38</sup> This was hastily organised to avoid a clash with the Seoul Olympics in 1988, the first British & Irish Lions

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<sup>37</sup> "Several players referred to the pettiness of the NZRFU in chopping back (usually by 30 or 40 per cent) legitimate expenses incurred in travelling to and from important matches. Tane Norton almost went straight back home (to Christchurch) from New Plymouth - where he was scheduled to play for New Zealand Maoris - when an NZRFU official refused to pay his claim for a taxi fare to Christchurch Airport ... saying he should have caught the bus. His report time was 6.45am! (And) Bryan Williams had his second test expenses chopped from \$24 to \$19 - even though he was able to account for all of them - and Grant Batty was asked to explain why he'd incurred \$10 expenses at Christchurch test time" (Howitt, 1977: 8).

<sup>38</sup> Notably, representatives from all five home unions were believed to have voted against the Rugby World Cup proposal. Although the South African union declined to participate in the tournament (due to international opposition to apartheid), its two IRB representatives voted in support of the proposal (Wyatt, 1995: 27 - 31).

tour to Australia in 1989 and the FIFA soccer World Cup in 1990 (Wyatt, 1995: 26 - 27). The Rugby World Cup gave a fresh impetus to international rugby. Televised across 17 countries, the first Rugby World Cup earned \$NZ 9 million, excluding ticket sales (Romanos, 2002a: 40 - 41). No less important for New Zealand was the awarding of the inaugural William Webb Ellis Rugby World Cup trophy (that immortalised the mythic 1823 exploits of the Rugby School student) to the winning All Black team.

Despite the deep social divides caused by the 1981 Springbok tour, cancellation of the South African tour in 1985 and the subsequent Cavaliers tour in 1986, the new event won the imagination of New Zealanders and rugby playing nations around the world (Fougere, 1989: 120). The emphatic nature of the All Blacks' win was a catalyst for an influx of money into the New Zealand game. Corporate marketers learnt how to exploit the characteristics of popular sporting codes. Lion Nathan used its Steinlager brand to target and associate itself with rugby and rugby fans, while it targeted its Lion Red brand at rugby league and its audience of working class supporters. Converted by government into a state-owned enterprise and required to turn a profit, TVNZ recognised the potential for sport to generate new commercial revenue streams. In 1989, its broadcast of the final of Australian rugby league's Winfield Cup live from Sydney attracted a television audience that rivalled the audience drawn to the screening of All Black tests (Macdonald, 1996: 130).

After the Rugby World Cup, New Zealand rugby was forced to acknowledge that its elite players could earn significant amounts of money through advertisers, sponsors and unofficial, overseas playing contracts. These opportunities reflected the emergence of global media and the growing interest in sport from broadcasters and sponsors - best demonstrated by the rise in profile of professional basketball in the US and soccer in UK/Europe. At the elite level,

these sports received a massive influx of money from corporate marketers such as Nike and broadcasters Fox Network and BSkyB. Consequently, rugby's struggle to remain amateur was becoming all the more difficult. Although the IRB, dominated by the will of the British home unions, held fast to its longstanding amateur principles, the three major southern hemisphere teams sought to manage the issue more pragmatically. For example, when any All Black players were required for a television commercial, payment for their time would be made and then divided equally among those taking part (Palenski, 2001: 168). However, the new competitive atmosphere that highlighted the money-earning ability of some high profile players over others was considered a contributing factor to the All Blacks' disappointing performance during the 1991 Rugby World Cup (Davies, 2003: 96). An increasingly commercial world was readying to engulf New Zealand's elite rugby players, if the NZRFU would allow it.

Despite its amateur status, the IRB sanctioned the new four-yearly Rugby World Cup. Although the inaugural event was launched into an uncertain world, by 1991 the event had become a major money making opportunity. While the IRB acknowledged that the event would be best hosted by one country (for reasons of logistics and ease of administration), such was the commercial interest in the Rugby World Cup, five northern hemisphere rugby union administrations shared management of the 1991 tournament (Wyatt, 1995: 53) (Palenski, 2003: 228) (Davies, 2003: 79). Hosted across Britain and France, the second Rugby World Cup returned non-ticket income of \$NZ 57 million. That figure increased to \$NZ 93 million for the third Rugby World Cup, held solely by a newly democratic and apartheid-free South Africa, in 1995 (Romanos, 2002b: 22). But by that time, the seeds of discontent among rugby players had been sown. They were required to commit to a form of amateurism while all around them major

profits were being made. The period when All Blacks enjoyed an elevated social status but not an elevated income was coming to an end.

## **Conclusion**

Rugby's public school origins remain its earliest heritage. During the 1880s, New Zealand settlers, many of whom retained links with their middle and upper class background in Great Britain and Ireland, adopted rugby as a means of demonstrating their place in the world. Passion for a game that reminded them of home spread among settlers in the towns and the countryside and demonstrated an evolving egalitarianism in the new settler country. In particular, rugby was enjoyed and played by Europeans and the indigenous Maori alike. In fact, the best of New Zealand's early touring teams had been the Maori-dominated Natives team that toured Britain and Ireland before the Northern split had torn apart the British game. Arguably, without the early success of New Zealand teams on the world stage, rugby may not have become New Zealand's pre-eminent national sport. Despite - or perhaps because of - the geographical dislocation and insignificance felt by many, rugby became an important arbiter of New Zealand's international standing and national development, as important perhaps as the country's involvement in two world wars.

After WWII, the status accorded to rugby grew almost in the absence of any other means to demonstrate the country's accomplishments. Rugby's peak was the euphoria surrounding the 1956 tour of New Zealand by South Africa, a country in which the sport was also held in reverence. Such was the standing of rugby in New Zealand society that many discounted the role apartheid played in South Africa in order for the All Blacks to contest the unofficial world rugby crown. While Maori had been early innovators of the international game, they

were excluded from tours to South Africa. Unprecedented international condemnation of New Zealand's links with South African rugby contrasted with almost universal support for rugby within New Zealand. However, the apartheid issue forced many to reconsider the role the game played in society. On one hand, the game was simply a game, played for its own pleasure and athletic expression, whereas nation-wide support of rugby was arguably a demonstration of New Zealand's egalitarian spirit. However, on the other, rugby's national prominence ensured that it could be used as a means of drawing attention to injustices prevailing elsewhere in the world. The determination of the NZRFU and its supporters to support rugby for rugby's sake, despite - or perhaps because of its acknowledged role within society - inevitably damaged the game. When two rugby club members instigated a legal challenge that successfully prevented the 1985 All Black tour to South Africa going ahead, they emphasised the link between NZRFU administration and the grassroots of the game. Nevertheless, the popularity of rugby had suffered during the apartheid years. Therefore, the decision to host the inaugural Rugby World Cup in New Zealand (and Australia) provided renewed energy and support for the game.

Rugby's governance structure gave provinces shared ownership of the NZRFU and in turn, the clubs retained ownership of their respective provincial unions. The decisions made at the highest level resonated at club level and decisions made at club and provincial level provided direction for the NZRFU. Club and provincial rugby formed the grassroots of the game and provided opportunities to play out regional rivalries throughout New Zealand. The range of competitions, from school to senior club and provincial level, catered for players of varying skills, alongside non-playing rugby enthusiasts. Many people volunteered unpaid efforts to enhance the playing and enjoyment of the game at all levels. The shared passion for rugby and the regional rivalries it fostered

meant that clubs became a fulcrum around which communities and regions developed. Due to the support given to players selected for provincial or national honours, players were loyal to their province and clubs. This support also translated into a ready audience for major representative, provincial and international matches.

The amateur ethos encouraged many people to be involved in administering the game. However, strict adherence to the amateur code became a financial barrier to playing (or continuing to play) rugby at the highest level. The NZRFU's introduction of a provincial competition that could identify the country's strongest teams (after it was decided that a national club competition would be impracticable to organise) was however, a popular move for players and fans alike. Although a more vibrant provincial game detracted from club competitions, the NPC attracted commercial sponsorships that brought money into the game. Increasingly, the interest of television broadcasters in the potential of sport to deliver audiences for advertisers provided further commercial challenges and opportunities for the NZRFU, but it also fuelled growing discontent among players. Variable management and administrative skills within unions conspired against developing a clear way ahead for all parties.

Toward the end of the 1970s and through to the early 90s, the NZRFU struggled to reconcile rugby's commercial potential with its amateur status. Although initially lacking the full support of the IRB, the introduction of the Rugby World Cup demonstrated the growing commercial value of the game internationally. Increasing returns for broadcast rights that earned the amateur IRB significant revenue highlighted this. All the while, players were increasingly expectant of fair remuneration for their efforts. Growing recognition that All Blacks were capable of earning reasonable financial returns while playing the game offshore

and outside the NZRFU's jurisdiction, heightened the tension between players and administrators. This also led to tension within teams with some players considered more marketable than others. Ultimately, in looking for reliable opportunities to underwrite their playing careers, elite players would become less dependent on their clubs (and provincial unions) for financial support.

The NZRFU, in continuing to adhere to the rules of rugby's international governing body, was vulnerable to the criticism that amateurism kept many players in penury. This contrasted with the commercial attraction of rugby and large amounts of money the game was earning for the union. Nevertheless, the NZRFU's commitment to amateur rules within its administration and management also affected its longer term planning. There was sufficient reason for the NZRFU to be regularly criticised for poor and convoluted decision-making that affected management and support of the game itself. The growing personal commitment required at the top level made it difficult for players to earn an income outside the amateur game. Ultimately, this ensured rugby would lose leading players through early retirement from international competition and because of the attraction of competing professional sports and overseas club competitions. Nevertheless, rugby's pre-eminence as the country's national sport ensured that interest in playing and following the game remained strong.

## Chapter Two:

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### **New Zealand Rugby is Compelled into Professionalism**

Following the first Rugby World Cup, the discrepancy between rugby's commercial value and its amateur status widened rapidly. The desire of advertisers and broadcasters to be associated with top rugby teams and players was enabling the amateur NZRFU administration to develop significant revenue streams. However, within the auspices of the IRB and the NZRFU, the players remained amateurs even though they were required to become more professional in their attitude and preparation to compete at the top level. They were refunded for basic expenses but did not share in the money their exploits were generating. Some players flaunted amateur regulations and saw in professional rugby their potential for greater earnings.

The threat of leading players being drawn to rugby league, thereby depleting the playing strength of New Zealand's leading team(s), concerned the NZRFU. Elite players needed to be adequately reimbursed to retain them in the game. But this would contravene IRB regulations and the longstanding amateur ethos of rugby union. The contrast between the revenue earned by rugby administrators and the game's amateur structure provided the opportunity for a rebel rugby organisation to launch a series of global professional rugby franchises. Facing the possibility that they may lose elite players, southern hemisphere rugby unions looked to develop new revenue-generating professional competitions from which the best players could be paid. To earn the money they needed, the unions sought to entice corporate media that were anxious to grow their global business by broadcasting live sport.

## **Rugby Union, Rugby League and Media Conglomerates**

The transition from rugby's century-long amateur structure to professionalism occurred with a degree of haste. Despite repeated calls by players over many years for adequate professional compensation, the two most pressing catalysts for change came from outside New Zealand rugby and the NZRFU. The first and most immediate of these was Super League, a rugby league competition combining the best teams in Britain, France and Australasia (Unattributed, 1995a: s 2.2). This was a vehicle designed by Rupert Murdoch's News Corporation to develop an additional advertising-led broadcast revenue stream as part of its global pay TV holdings. It exemplified the increasing vertical integration and corporate ownership of distribution channels for broadcast media and its content.

The new rugby league competition was controversial for many reasons, not the least being News Corp's offer of big salaries to entice rugby league players from the incumbent Winfield Cup competition. The Australian Rugby League (ARL) managed the Winfield Cup and News Corp rival, Kerry Packer's Channel Nine television network, broadcast its matches. Channel Nine formed part of Packer's conglomerate, Publishing & Broadcasting (PBL). At first, News Corp proposed to assemble 12 to 14 teams in a new premier competition that it would screen on its new pay-TV network, Foxtel. Given the high commercial value of the Winfield competition, it was no surprise that this strategy was opposed by the ARL because of its existing relationship with PBL (Mirams, 2001: 52). But this setback for News Corp was short-lived. Not unlike the introduction of World Series Cricket during the 1970s, when Kerry Packer sought to take leading players away from the amateur Australian Cricket Board and international cricket administrators, News Corp decided to go it alone and take rugby league from the ARL (Hargreaves, 1987: 116) (Thomas, 1996: 1).

The NZRFU had always battled to stop players joining the Winfield Cup and other professional rugby league competitions. The pressure on rugby union players to change codes increased as the Winfield Cup grew in popularity and players were sought to expand the competition. When the ARL said it would expand the Winfield Cup to a 20-team competition, it also announced that any club buying a rugby union player would not have to consolidate the purchase within the ARL's salary cap requirements (Zavos, 2000: 267). However, with the Super League proposal, the NZRFU (and the ARL) confronted a different challenge. The ARL's attempt to grow the Winfield Cup amidst News Corp's raid on its players to establish Super League, led to a massive escalation in the salaries being offered elite players. News Corp was also establishing a Super League competition in the United Kingdom that would entice players to the northern hemisphere, further reducing the talent base in Australia and New Zealand (Jones, 2000: 27). As players and their agents found themselves in the midst of an aggressive bidding war, even run-of-the-mill league journeymen were reputedly being offered many more times what they were already earning (Mirams, 2001: 78).<sup>39</sup> Rugby players also became targets as possible converts to either of the league competitions.

The second catalyst for the professionalisation of amateur rugby came from an independent proposal to bring together all major rugby playing nations under the control of an organisation entitled the World Rugby Corporation (WRC). Following the financial success of the first Rugby World Cup, there had been a growing realisation that quality matches could earn the revenue necessary for administering and growing the game. This encouraged national rugby administrators to place more demands on players, through heavy itineraries and

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<sup>39</sup> During the height of the battle between the two leagues, the ARL was rumoured to have spent \$A 30 million in five days attempting to retain its players (Mirams, 2001: 78 - 79).

extensive travel commitments. Short-term sponsorship agreements also became attractive for some rugby unions as sports apparel companies realised the commercial advantages of their brands being worn by winning teams.

Unintentionally, senior rugby administrators that opposed the move to professionalism and refused to share revenues with the players, created an environment where rugby union was likely to lose its top players. To match the growing physical demands of rugby and the desire to maintain the winning record that New Zealand teams had developed over many years, elite players had adopted a professional attitude to managing their involvement in the game. Their need to generate income to cover the opportunity cost of playing meant that amateur status existed in name only (Verdon, 2003c: 66). Leading players were able to capitalise on their high profile by advertising or promoting a range of sports and non-sport related products. Players that could take advantage of their status as leading sportsmen (sometimes in competition with other players in their teams) flaunted loopholes in amateur regulations. Individual players that established sponsorship relationships, particularly with sports apparel companies, would find themselves clashing with the relationships the NZRFU had negotiated with competing apparel brands (Wilson & Palenski, 2000: 89). Consequently, the term 'shamateur' entered common rugby parlance (Collins, 1997: 26). In 1995, the editors of the annual New Zealand Rugby Almanack made clear reference to the hypocrisy that existed. Players, "while not being paid for playing ... have been making money from the game in various ways, such as job-offers, being set-up in business, endorsing products and under-the-table handouts" (Akers & McMillan, 1996: 6). However, New Zealand's elite rugby players were certainly not alone in sometimes paying lip service to the amateur principles that underpinned rugby union. Around the rugby-playing world, the endeavours of elite rugby players were filling huge stadiums and attracting significant sponsorship and broadcast revenue. Players were aware of

this and compared their financial returns with those of professional players in rival sports codes such as rugby league, soccer, basketball, tennis and cricket.

In New Zealand, pressure was mounting from players for the NZRFU to adopt a professional structure for rugby in more than just attitude. However, it had failed to convince the game's international administrator, the IRB, that the players should be paid (Gray, 1995a: s 2.1). Nevertheless, in recognition of growing commercial interest in its players from outside of rugby, the NZRFU had agreed loyalty contracts with its 30 leading players up to and including the 1995 Rugby World Cup (RWC). Although the All Blacks received financial reward for involvement in the event, the NZRFU anticipated that it would need to renew further amateur-based loyalty contracts with players immediately after the tournament (Gray, 1995b: s 2.2) (Kronfeld & Turner, 1999: 141). However, the NZRFU had little answer to the globally aligned commercial plans of News Corp. It was clear that All Blacks would be vulnerable to the monetary enticements of Super League. Constrained by the IRB's requirement for the game to remain amateur, the NZRFU was ill-prepared to counter the Super League threat once the All Blacks' RWC contracts ended. The raid on players from the News Corp-backed Super League threatened to completely destabilise rugby union.

The attractiveness of sport for broadcasters can be explained in terms of cost and reach. Sport's universally human endeavours provide viewers with dramatic television programming that they quickly recognise and enjoy. It also appeals across cultural boundaries more successfully than other types of television programming such as drama and current affairs (Whitson, 1998: 69). This generates audiences that major brand advertisers will pay dearly to reach. Importantly, compared to other television programming, sport is also inexpensive to produce (Ford & Ford, 1993: 59). Viewed live, it exudes a sense of

immediacy and unpredictability and is one of the few television genres in which audiences will pay money to watch. Sport is arguably the single most lucrative content area for the global media industry (McChesney, 1999: 95). Having control of a popular sports competition provides pay-per-view broadcasters with a programming genre that they can sell as a package to subscribers willing to pay for exclusive viewership, and to advertisers wanting to reach a sizeable, affluent audience. News Corp had already attracted major pay-TV audiences with the successes it achieved with Fox Movies in the United States and it sought to achieve the same with live telecast sport.

During early 1995, the Australian pay-TV market faced the imminent arrival of two major consortiums. Both were urgently looking for a unique proposition that would draw an audience majority. The Optus Vision pay-TV consortium was aligned with Packer's PBL conglomerate, whereas News Corp had entered a joint venture with the former wholly government-owned telecommunications company, Telstra, to create the pay-TV company, Foxtel. A burgeoning of sports media in Australia during the early 1990s pointed to sport being instrumental in gaining a commercial advantage (McKay, Lawrence, Miller & Rowe, 1993: 13). News Corp's goal was to position Foxtel as the dominant player in the Australian pay-TV market - an industry that was already providing lucrative returns in the United States and the United Kingdom. Murdoch was also making significant progress in Asia with Hong Kong-based Star TV and was well advanced with major plans for JSkyB in Japan. News Corp held important strategic alliances with peers in South Africa and South America and was looking for additional sports content for its United Kingdom operation, BSkyB (Mirams, 2001: 50).

The aggressive launch of Super League reflected the value Murdoch placed on sports content for leveraging revenue growth for News Corp's many pay-TV

outlets. News Corp had set out to dominate global television markets by using sport as a battering ram for entry into new markets, particularly in the United States and the United Kingdom (Herman & McChesney, 1997: 75). Murdoch's peers also appreciated the commercial potential for sport broadcasting; "sport will be the universal glue for global content, even more than movies," said John Malone in 1996, then-CEO of leading US cable television provider, TCI International (Snoddy, 1996: 1). Murdoch likened sport to entertainment and as the television genre that "absolutely overpowers film and everything else" (Papathanassopoulos, 1998: 21). Sport was the "cornerstone of (News Corp's) worldwide broadcasting plans" (Bellamy, 1998: 77). As a consequence, News Corp sought a commercial advantage by literally replacing Australia's Winfield Cup competition with its own fully-funded league. This would attract subscribers to fledgling pay-TV networks in Australasia and the United Kingdom.

Due to rugby league's prominence in the populous Queensland and New South Wales states, the Australian consortiums saw the game as the primary driver of pay-TV subscriptions in Australia. However, Kerry Packer's PBL conglomerate held the free-to-air and pay-TV rights to broadcast the ARL's league competition (via Channel Nine and the Packer-aligned Optus Vision pay television consortium) until the end of the century (Chenoweth, 2001: 237 - 238). Rugby league had grown in popularity as a major televised sport in Australia during the late 1980s and early 1990s, largely because the ARL energetically promoted the game and an elite group of nationally recognised players. The ARL's competition had been expanded to include teams from most major cities across the country, although the league strongholds remained the 'origin' states, New South Wales and Queensland. The annual 'State of Origin' three-match series between the two states generated important economic benefits. The series provided the highest yearly rating of any television programme in the two states,

with over half of switched-on television sets tuned to a single channel (McKay, Lawrence, Miller & Rowe, 1993: 17). Promotion of rugby league in New Zealand was also on the upswing. The State of Origin matches had become a significant part of the winter sports programme for TVNZ and, following a change in sports rights ownership, New Zealand's pay-TV network, Sky TV (Macdonald, 1996: 130).<sup>40</sup> Although lacking the same global reach as rugby union, rugby league continued to be played internationally, with particularly strong support among the English working class in the north and midlands where the game originated.

News Corp's earnings from established sports media was already impressive. In the British broadcasting market, its BSkyB satellite channel had overcome enormous start-up costs to double its worth by 1992 to an estimated £ 2 billion on the back of its coverage of international sport. In leveraging from this growth, it bought exclusive rights to live coverage of English soccer's newly established Premier League for the record sum of £ 304 million over five years, about five times more than the previous arrangement with terrestrial television (Williams, 1994: 382-384). It proved to be the critical acquisition News Corp needed to establish BSkyB as the major European-wide satellite network.<sup>41</sup> A year later in the US, Murdoch's Fox Corporation spent \$US 1.6 billion in outbidding CBS for four years of rights to the National Football Senior Conference as a means of reinforcing its presence in the US broadcast market (Wenner, 1998: 4). Fox also made major acquisitions in the US baseball market, notably paying \$US 311 million for the LA Dodgers, to provide programming for Fox's southern California sports network (Gunther, 1998: 76). However, in Australia, News Corp subsidiary Foxtel needed a major sport to build its pay-TV subscriber base.

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<sup>40</sup> Sky TV entered the New Zealand television market in 1990 as its first pay television network, broadcasting on the UHF band. The network introduced digital satellite broadcasting in 1998 (Television New Zealand, 2005: *ibid*).

<sup>41</sup> This purchase was instrumental in lifting subscriber numbers for News Corp's pay TV channel, BSkyB, from 100,000 to four million by 1995 (Fitzsimons, 1996: 72-73).

News Corp wasn't prepared to wait for rugby league broadcast rights to come up for re-negotiation and decided that a premier Super League would fit its global broadcast media plans. The games could be re-transmitted through News Corp's TV outlets in Australia, UK, USA and Asia and a UK Super League would also be developed.

The recently established Auckland Warriors rugby league team was part of News Corp's Super League plans. The new competition would be a viable television sport for the New Zealand market via News Corp subsidiary, Sky TV. Its future required a New Zealand team it could feature and promote. Super League promised a mercurial future for the Warriors, which had become the first non-Australian team to be included in the Winfield Cup. Playing for the Warriors was also an attractive option for rugby players with former All Blacks already among its ranks. The Warriors' first ARL competition game during March 1995 was heralded by some as marking the start of "the first professional sports team in New Zealand history" (Mirams, 2001: 13).

### **Television Rights and Player Contracts**

The launch of News Corp's Super League plan in early April 1995 coincided with the hosting of the third Rugby World Cup, held for the first time in South Africa. For Super League scouts, the World Cup involved all of the world's best rugby players, many of who were prospective rugby league converts. What made the Cup even more attractive for league scouts was the clear evolution of a four-year international rugby pattern. Senior international players acknowledged that playing in the World Cup was the pinnacle of their careers. Super League had the potential to provide those players with new challenges and financial opportunities after the Cup. This occurred in 1987 when World Cup-winning All Blacks, John Gallagher, John Schuster and Frano Botica, all signed to play league.

League scouts could also target players disgruntled with their non-selection for national teams.

Faced with depletion of their national teams, the NZRFU, South African and Australian rugby unions agreed on the necessity to restructure the southern hemisphere game along professional lines. The only businesses with the money required to pay and retain elite players were major broadcasters keen to develop new viewer markets. Despite its financial and operational focus on developing Super League, News Corp was held to be the most likely suitor. After a series of meetings in Australia, South Africa and New Zealand, the three parties agreed upon a format and competition package that they dubbed the 'Perfect Rugby Product' (Fitzsimons, 1996: 34). Developed with News Corp in mind, the format involved the three largest southern hemisphere unions joining together under the title SANZAR (South Africa, Australia, New Zealand) to develop a two-tier rugby competition between their respective unions (Unattributed, 1995b: s 2.2). A new representative inter-provincial competition of twelve teams across the three countries, known as the Super 12, was drawn-up alongside a new round-robin international series dubbed the Tri-Nations. The Super 12 would start before the Australian rugby league competition, thereby providing broadcasters an opportunity to build television audiences before the televised league season began. From an operational perspective, the Super 12 would be an expansion of a Super 10 series that had taken place annually since 1993 (Howitt & Haworth, 2002: 79). It had featured the ten best sides from the representative state and provincial competitions of Australia, South Africa and New Zealand and a team from the Pacific Islands (Thomas, 1996: 17-18).<sup>42</sup> However, the SANZAR unions

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<sup>42</sup> Despite Pacific Island teams being regular opponents for the teams of South Africa, Australia and New Zealand - with the two latter teams benefiting from leading Pacific Island players preferring to play for the Wallabies and the All Blacks - the island nations of Tonga, Fiji and Western Samoa were not considered for inclusion in the new Super 12 competition. Their populations were regarded as too small to interest the media broadcaster targeted. However, plans for a new Pan Pacific Rugby Series competition, ostensibly a 'second tier' championship,

did not consider the inclusion of Pacific Island teams as a viable commercial option for the new competition.

Negotiations between the parties of the nascent SANZAR joint venture organisation and News Corp began in May 1995. For News Corp, SANZAR was the vehicle to exploit rugby's global impact to reach a lucrative global audience, with the implicit backing of the IRB (Gray, 1995c: s 2.24). Rugby had the commercial advantage of being attractive to middle and upper class audiences in many of the countries in which it was played, particularly Great Britain, Australia and France. This was important for global marketers looking for new ways to reach these audiences. Negotiations with News Corp concluded shortly before the culmination of the 1995 World Cup final when the chief executives of the three SANZAR unions signed a heads of agreement document. In return for broadcast rights to the new Super 12 and Tri-Nations competitions, plus other international-level rugby played by the three nations, News Corp agreed to pay \$US 555 million over the ten-year span of the contract, with proceeds shared among the three countries' unions, (Australian Rugby Union, 1996: 15) (Fitzsimons, 1996: 95).<sup>43</sup> The negotiated package allowed News Corp the opportunity to on-sell broadcast rights. In New Zealand, these were on-sold to the subscriber network, Sky TV.

At this point, there was no hint of how the players might be involved in the new deal (Davies, 2003: 158). However, shortly after the announcement of the

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combining teams from the Pacific Island nations with national teams from Canada, Argentina, USA, Hong Kong and Japan, was announced toward the end of 1995. The championship was to be backed by television broadcasting moneys and sponsorship (Thomas, 1996: 16). However, the championship never settled on a consistent format and was eventually withdrawn in 2001 (Unattributed, 2003a: C14).

<sup>43</sup> The agreement also provided a five-year option for News Corp at the conclusion of the ten-year term, that if taken up, would bind southern hemisphere rugby to News Corp at least until 2011 (Fitzsimons, 1996: 97).

SANZAR agreement, All Black Chairman, Richie Guy, promised the All Blacks \$NZ 10,000 each for those selected for an upcoming series against Australia and an end-of-the-year tour to France. Another \$NZ 30,000 would be paid to each player involved in the 1996 All Black season. Although this was a significant step by the NZRFU that in effect, publicly confirmed it would now pay players as professionals, the money offered to players paled into insignificance in comparison with far greater offers from Super League. Leading players interpreted the disparity in payment as an indication that News Corp didn't value rugby union as much as it did league (Rush & Matheson, 2002: 79 - 80).<sup>44</sup>

Interest in elite players from a rival professional rugby proposal, the World Rugby Corporation (WRC), further tested player loyalty to the NZRFU. Initiated by a handful of sports-minded Australian businessmen, development of the WRC plan paralleled the SANZAR negotiations with News Corp. The WRC sought to sign elite rugby players from around the globe - not just the southern hemisphere - to a new global competition. The purpose of its plan was to develop a professional structure that could generate huge returns for all involved by on-selling broadcast rights of the matches to global media. WRC franchises would be established in appropriate places around the globe, taking the game to new markets such as the United States and Japan (Pienaar, 1999: 189). With a sufficient number of top players, the WRC global competition would attract significant advertising, broadcast and sponsorship support. WRC would be in charge of all revenue generated at the elite level of the game and all WRC players - as well as the owners of the WRC concept - would be handsomely rewarded (Davies, 2003: 159). The proposal was particularly attractive for rugby-playing

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<sup>44</sup> Whether or not this perception was accurate, Murdoch's interest in the commercial potential of rugby was piqued by the performance of Tongan All Black wing, Jonah Lomu, and the four tries he scored in a 1995 World Cup semi-final against England. "This is amazing. We've got to have that guy", Murdoch is reported to have said to News Corp's negotiator, Sam Chisholm (Jones, 2000: 26).

nations such as Samoa and teams from Great Britain, Ireland and France, that weren't involved in the SANZAR agreement (Sanders, 1995a: B1).

Inherent in the WRC proposal was the highly controversial plan to remove the link between players and their national unions. Instead, WRC would manage the direct links with the players but would effectively consign the unions to roles as feeders into a global competition. However, the plan lacked commitment to growing the game at the grassroots. This would continue to be the responsibility of the national rugby unions. Under these arrangements it was unlikely that the NZRFU would allow WRC-contracted players from New Zealand to call themselves All Blacks (Jones, 1998: 130). The proposal to marginalize unions to feeder roles was highly provocative and probably unrealistic. But it was the ease with which the WRC was able to recruit former and current test players in all three southern hemisphere countries that indicated the depth of player dissatisfaction with rugby's amateur structure and management. The South African team, winners of the 1995 Rugby World Cup, was a pivotal part of negotiations. To be able to promote its competition as the best, WRC needed the world's best team. Reportedly dismissive of their rugby union officials and administration, the South Africans had shown support for the rebel competition early in negotiations. A week after the World Cup final, the Springbok captain, François Pienaar, had compiled contracts signed by 27 of the 28 members of the South African World Cup squad, in return for his fee, \$US 300,000 negotiated with WRC (but only payable should the proposal with WRC go ahead) (Pienaar, 1999: 199-200).

WRC representatives briefed a group of the All Blacks before their return to New Zealand after the Rugby World Cup. WRC promised each member of the World Cup squad between \$US 725,000 and \$US 825,000 over three years (Rush & Matheson, 2002: 79 - 82). WRC officials believed these costs would be recovered

from broadcast revenues and the sponsorship fees charged for brand association with the global rugby franchises. In subsequent meetings on their return to New Zealand and with assistance of lawyers selected to represent the squad, many of the All Blacks were also offered sign-on incentives of \$US 100,000. WRC took the advice of senior All Blacks who asked that provincial players be involved within its plans (Wilson & Palenski, 2000: 123). This and the signing of the Springboks enabled the WRC to quickly claim the signatures of most Wallabies and All Blacks. However, throughout its negotiation with prospective players, the WRC was unable to specify a corporate sponsor to cover the \$US 100 million needed to inaugurate the competition (Zavos, 2000: 186). This was until mid-July when PBL made a speculative offer for broadcast rights, if the matches between the WRC franchises became reality. In return for an initial outlay of \$A 4 million, PBL accepted an option to acquire majority ownership of the World Rugby Corporation Pty Ltd (Fitzsimons, 1996: 214). This provided the opportunity for WRC to make its proposal a reality.

By mid-July 1995, the WRC had signed up most of the South African, New Zealand and Australian Rugby World Cup squads. In Wales, France, Scotland and Western Samoa, the majority of players had also legally committed themselves to WRC (Fitzsimons, 1996: 144). Despite the money to be injected into southern hemisphere rugby by News Corp, SANZAR was forced to concede that the WRC now had significant influence. By neglecting to involve the All Blacks or their representatives in negotiation of the agreement, the NZRFU (and its SANZAR partners) was vulnerable to legal action from News Corp (Johnstone, 1995a: B1). Consequently, WRC became the negotiating tool with which the players could command more of their share of the proceeds from the News Corp deal. In acknowledging the WRC threat, the NZRFU significantly increased its offer to the players. It proposed that elite All Blacks would receive \$NZ 250,000 pa, with the remainder of the squad offered \$NZ 200,000 pa. The

next category of player was the 'fringe players' that were likely to defect to league, who were also offered \$NZ 200,000 pa each. A fourth category of player, provincial players who would be drawn into the Super 12, would be offered \$NZ 50,000 pa if they played in all the Super 12 games. They would receive \$NZ 15,000 pa for all the NPC matches and the balance of up to \$NZ 85,000 pa if they made it into the All Blacks during the year (Fitzsimons, 1996: 155). This salary package from NZRFU represented a major departure from the 'amateur' era. It was possible that elite players would now be earning more than the CEOs of some major companies. Over their playing career, the most successful All Blacks would earn more than many of their fans could expect to earn in a lifetime.

Using veiled intimidation from union lawyers alongside charges of treachery from rugby journalists and newspaper columnists, three NZRFU negotiators (former All Black captains, Brian Lochore and Jock Hobbs, and NZRFU board member and corporate lawyer, Rob Fisher) sought to re-sign all players (Wilson & Palenski, 2000: 125) (Jones, 1998: 131 - 132). They focused on player loyalty to All Black traditions, reiterating the game's unique role in developing New Zealand's national identity (Hope, 2002: 246). New Zealanders were mesmerised by the NZRFU's determination to retain its players. Senior All Blacks, with the support of the current All Black coach, were seen to be encouraging the entire squad to sign to the WRC (Kronfeld & Turner, 1999: 141). Hastily arranged polls were taken that indicated the vast majority of New Zealanders strongly supported the unions in retaining their players (Fitzsimons, 1996: 197). A newspaper column written by former captain of the All Blacks' 1987 Rugby World Cup winning team, David Kirk, reflected the widely held concern that the All Blacks would abandon years of rugby history. Kirk's vitriolic article drew similarities between the contribution of New Zealanders in war and the identity and contribution that rugby had provided all New Zealanders that played and/or enjoyed the game. He addressed senior players close to retirement

whom Kirk believed were likely to lead the rest of the team to the WRC. “To the older players and some coaches and administrators who are leading the charge to the WRC. I say go. Get out, leave, remove the stain, the blot you are on the spirit of rugby. Take whatever money you can get, from whoever you can get it, but leave before you do any more damage,” wrote Kirk in August 1995 (Kirk, 1995: B3). In effect, a small number of elite players were deliberating over a personal decision that would ultimately affect the future of the game itself in New Zealand.

Notwithstanding WRC’s lack of genuine corporate backing, it was pressure placed on Pienaar during early August that began to undermine player support for the rebel competition. On one side were News Corp representatives along with former Wallaby captain Simon Poidevin acting on behalf of the ARU plus Louis Luyt, the head of SARFU. From the other side, pressure was exerted by the Wallaby and All Black captains, Phil Kearns (who was employed in a part-time capacity for the Kerry Packer-owned Channel 9 network) and Sean Fitzpatrick respectively (who had both been instrumental in encouraging their teams to consider and then sign WRC contracts), as well as WRC representatives (Unattributed, 1995c: B20). However, when News Corp negotiator, Sam Chisholm, offered a package to Pienaar’s team that was similar to that offered by WRC, Pienaar changed his mind and then influenced his fellow Springboks to resign en masse for SARFU. This effectively ended the WRC global campaign (Pienaar, 1999: 201) (Rush & Matheson, 2002: 85).<sup>45</sup>

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<sup>45</sup> Although WRC applied to the South African Supreme Court to demonstrate it held binding contracts with the players, the consequence for WRC of losing the World Cup winners to the SANZAR deal was underlined by the comments of Supreme Court Judge Dennis van Reenen. “I’m not satisfied that this matter is one of urgency on this already crowded roll of this court”, said Judge van Reenen (Unattributed, 1995d: B2).

The first successes for the NZRFU as it sought to re-sign its elite players were two younger All Blacks from Otago, Josh Kronfeld and Jeff Wilson. The financial lure of the WRC was not sufficient to deter these players from their desire to continue to wear the All Black jersey. “We owed it to ourselves to get the best deal possible, but we also owed it to New Zealand rugby generally and to the All Blacks in particular,” said Wilson, years later (Wilson & Palenski, 2000: 131). To many, Wilson and Kronfeld became overnight heroes for the game in New Zealand (Romanos, 2002: 67). Their commitment to the NZRFU came shortly after their Otago side and five other provincial unions also signed with the NZRFU (Kronfeld & Turner, 1999: 161).<sup>46</sup> In any case, with the capitulation of the Springboks, the remainder of the All Blacks (along with the Australian squad) shortly followed suit, re-signing with their respective unions and ultimately, to SANZAR. Yet, in a demonstration of the WRC threat that some players used to support their demands, union negotiators were forced to agree to a last-minute request from the All Black captain Sean Fitzpatrick, for a 20% salary rise “to compensate for the extra pressures and responsibilities” of his role (Turner, 2002: 168) (Taylor, 2002a: C3).

A full two months after the SANZAR agreement had been signed with News Corp, the NZRFU could finally deliver against that contract, although at substantial cost to the game. By forcing the NZRFU to match the offers of the WRC, senior players ensured that in the first year of professionalism, \$NZ 14 million of the \$NZ 25 million revenue it earned from News Corp would be directed to resourcing the elite level of the New Zealand game (Sanders, 1995b: B1) (Johnstone, 1995b: A1). This would become critical for the NZRFU, as it

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<sup>46</sup> In regard to dealings with the WRC, the Otago Rugby Football Union (ORFU) had the advantage of owning the province’s only rugby stadium. If WRC had wanted to stage a major game in Otago, the stadium would not have been available. In addition, the ORFU had agreed to supplement the offers that the NZRFU made to the Otago provincial players, that ultimately helped in demonstrating its commitment to retaining their services (Kronfeld & Turner, 1999: 159).

needed to administer the game at all levels not just for elite players. The introduction of professional rugby ensured that the NZRFU also needed to become a fully professional organisation to manage a multi-million dollar business that had pushed the costs of administering the game at all levels to unforeseen heights. Years later, questions were still being raised about the level of brinkmanship exercised by senior All Blacks during this period of crisis for rugby. Former All Black, Chris Laidlaw, wondered aloud in a *NZ Herald* article about the demonstration of a fundamental change in the game. "What had become of the loyalty to a game so precious to the whole society's sense of self-worth. The baseline loyalty that has always demanded that the interests of the game must come first (rugby must be the winner) appears to have been permanently compromised" (Laidlaw, 1998: A13). WRC's speculative proposal to bring the world's elite rugby players together with promises of contracts of three years duration almost became rugby's ruling competition. But in the process of defending its own deal for New Zealand rugby, the NZRFU was forced to pay a far larger price simply to retain its elite players.

Ironically, the early pressure from Super League to attract rugby union players to the new league competition had fallen away during the year. Development of Super League proved a major struggle for News Corp. Although it called on former test rugby players as league agents, it transpired that its interest in rugby union players had been only a short-term strategy (Jones, 2000: 27). More importantly, in response to Super League enticements, the ARL called on reserves of \$A 22 million, plus similar amounts from both PBL and corporate sponsor, Optus, to retain its players. This placed tremendous pressure on Super League to come up with a sufficient number of quality players to make a viable competition (Mirams, 2001: 71 - 72). The ARL relied on its broadcasters, in particular, PBL's Channel Nine rugby league programme, *The Footy Show*, to publicly savage the Super League concept. It also threatened to prevent Super

League players from representing Australia in league test matches. But as the year wore on, the development of the SANZAR agreement meant that News Corp would only be hurting itself by encouraging rugby union players to join a competition that was struggling to get underway. As the 1996 season approached in Australia, Justice James Burchett ruled strongly against Super League, ordering its players to turn out for their respective clubs in the 20-team ARL competition. This effectively delayed introduction of the Australasian Super League competition until 1997 at least (Mirams, 2001: 83).

### **Professional Rugby: The New Landscape**

In hindsight, PBL's less than total commitment to the WRC cause meant that the standoff between WRC and the SANZAR/News Corp agreement ended rapidly once the Springboks signed with SARFU. Whereas Packer had been closely involved in the briefing of cricketers during the World Series Cricket initiative years earlier, his involvement in WRC was via implication only, as the leading shareholder of PBL. Packer pulled out from any involvement with the WRC when it was clear the Springboks had signed to SANZAR. Despite longstanding competition between the two media billionaires that went as far back as 1960, speculation suggested that Packer had formed an understanding with Murdoch (Allen, 1995: B2) (Chenoweth, 2001: 245). In January 1997, Packer was reported to have joined Murdoch on the latter's yacht while sailing in New Zealand's Bay of Islands. "Observers say topics of discussion between the two in the Bay of Islands were likely to have included the possibility of reuniting the Super League and Australian Rugby League branches, the ownership of Fairfax Group (publisher of the Sydney Morning Herald and The Age) and a dispute over rights to Murdoch-owned Fox Television programmes" (Taylor, 1997: 12). In 1999, heir to the News Corp conglomerate, Lachlan Murdoch, expressed the view that it

was beneficial for News Corp to work more closely with PBL. These two companies still control much of Australia's media (McChesney, 1999: 91).

Prompted by the SANZAR broadcasting deal, an IRB working committee was instructed to gather the views of all its voting council members. With little preparation for the transition to a professional structure, the IRB found itself obliged to sanction the SANZAR deal. In September 1995, it was announced that rugby had become 'open' at all levels (Thomas, 1996: 15). Rugby players could now be openly reimbursed for their endeavour and each rugby-playing nation was allowed to develop its own professional framework. However the IRB's declaration of open rugby at all levels provided plenty of room for interpretation. In New Zealand, grassroots or club rugby would remain amateur and continue to provide a source of players for representative provincial matches. The best provincial players would compete for Super 12 and All Black contracts. Matches played at this level would generate the revenue that the NZRFU would use to pay its professional players and administer the game at all levels.

In New Zealand, the vast majority of players continued to play the game at club level and without payment. But literally over night, the NZRFU became the monopoly employer of professional rugby players in New Zealand. The bulk of its revenue would be focused on ensuring its elite Super 12 and All Black teams remained competitive on the international stage. Of course, such revenue also funded the administration structures commensurate with what had quickly become a sizeable, multi-million dollar international business (Gilson, Pratt, Roberts, Weymes 2001: 274). In effect, the game had been split into two unequal groups - one group, the far smaller of the two, consisting of 155 - 160 professional players would be well-remunerated and be the main attraction for broadcasters and sponsors. The 1995 Rugby Almanack of New Zealand reminded its readers that the vast majority of players would remain amateur and

would continue to “play the game simply because they enjoy it. Rugby has always been everyman’s game and long may it stay that way” (Akers & McMillan, 1996: 6).

In the northern hemisphere, the clubs indicated that they, rather than the unions, would contract players, as there was no equivalent of the Super 12 or the NPC. However, the England Rugby Football Union (RFU), unsure of how to administer the professional game and from where it would attract the revenue required to do so, called a twelve-month moratorium on payment to club players. Nevertheless, it confirmed that the England team would be paid (Jones, 2000: 34). Ultimately, the professional structure started to follow the structure used by English soccer clubs (Thomas, 1996: 20). Open rugby provided an opportunity for more affluent clubs and teams owned by rich businessmen to dominate competitions, simply because they could offer major financial inducements to attract talented players (Cameron, 1996: C2). Clubs starting the professional era from a weaker financial base would struggle to compete. The northern hemisphere national unions also needed to develop revenue streams that they could use to support development of the game at the grassroots level. However, the national unions would start to find it difficult to negotiate with their clubs to allow their players to play the game at an international level. As a consequence, they struggled to match the momentum of the SANZAR unions.

Hosting a Super 12 franchise was an attractive proposition for New Zealand NPC unions. But due to the need to maximise television coverage and spectator support, only a small number of unions could be considered. Although the intention to have New Zealand’s best players involved in the Super 12 was the general consensus, inequalities in the structure of the regional teams were apparent from an early stage. Smaller, less commercially powerful unions, realising that they would be unlikely to be chosen as a Super 12 base, were

resigned to not being directly involved in the new competition. The potential they saw of losing their best players to metropolitan unions hosting a franchise was countered by requests for transfer fees and that players must return to their home province for the NPC (Hinton, 1995: B3) (Fogarty, 1995: B1). Other unions, recognising the benefits of a new income stream for their union and guaranteed television coverage for its players, actively lobbied the NZRFU to host a franchise.

The NZRFU chose the four largest metropolitan centres, Dunedin, Christchurch, Wellington and Auckland, to host four franchises, and the provincial Waikato union to host the fifth.<sup>47</sup> However, this created an anomaly for the North Harbour, Northland and Counties/Manukau unions, from the northern and southern edges of Auckland City respectively. Although North Harbour was closer to the Auckland union in proximity, it was decided that it (and Northland further to the north) would become part of the Waikato Super 12 team. Despite the building of a major new stadium in North Harbour that could easily host Super 12 and test matches, its best players (and those from Northland) would be based at the Waikato base 150 km south in Hamilton (Hinton, 1995: B5). In contrast, the Counties/Manukau union lacked a stadium with sufficient seating and floodlighting to host Super 12 matches. To compensate, it was matched with the far stronger Auckland union, despite Counties/Manukau also sharing a border with the Waikato union to the south. As a consequence, the spread of players away from their NPC base contributed to significant dislocation for the Waikato, Counties/Manukau and North Harbour players and unions. The Auckland union, able to call on the match-winning skills of the mercurial Jonah Lomu and Fijian Joeli Vidiri, both from Counties/Manukau, was the winner in this arrangement. After two seasons, the Super 12 borders were re-drawn to

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<sup>47</sup> New Zealand's teams were known as the Auckland Blues, Wellington Hurricanes, Canterbury Crusaders, Otago Highlanders and Waikato Chiefs. Branding for each franchise reflected the popular image of the host city and/or province.

reflect geographic proximity of the unions. Whereas North Harbour and Northland unions joined the Auckland Super 12 franchise, the NZRFU agreed that the Counties/Manukau union would join the neighbouring Waikato franchise.

Although Super 12 duty removed New Zealand players from the bulk of the club season, the first year of the Super 12 competition proved a tremendous success. All teams were given new brand names that acknowledged the base of each Super 12 squad. Australia's representation consisted of its leading state sides, one each from league strongholds Queensland and New South Wales, and a composite side drawn from the rest of Australia, based in the traditionally weaker Australian Capital Territory (ACT). South Africa retained its top four provincial teams as adjudged by the results of the previous year's domestic Currie Cup competition. In contrast, the NZRFU opted to group the country's provinces into five composite regional teams, thereby giving all its players the chance to be included. Starting on 1 March 1996 amidst a blaze of publicity, the twelve teams played a round-robin competition over twelve weeks, with the four top teams squaring off in two semi-finals on the 13<sup>th</sup> week. The final, between the winning semi-finalists, was played a week later. To encourage attractive and adventurous play that would attract a wide television audience, the SANZAR partners agreed to award a bonus point to teams scoring four tries or more in a game. A bonus point was also awarded for a loss by seven points or less. This had a dramatic effect, particularly in the last twenty minutes of matches, with teams unashamedly chasing a bonus point, either for an elusive fourth try, or to salvage a point in defeat by remaining within seven points or less (Australian Rugby Union, 1997: 53).

The popularity of the competition captured the rugby public in all three countries with record attendances at many venues. The games were broadcast

around the world on a combination of free-to-air and pay-TV, via rights on-sold by News Corp. The 1996 Super 12 final was played in front of a capacity crowd of 46,000 at Auckland's Eden Park during late May (Australian Rugby Union, 1997: 40).<sup>48</sup> The Super 12 competition was followed six weeks later by the Tri-Nations test matches between South Africa, New Zealand and Australia. The home and away competition of six matches over eight weeks was equally successful. The new commercialism that the professional era introduced led the Australian Rugby Union to shift the venue of the inaugural Tri-Nations Test from its traditional test match ground in Brisbane with a 26,000 capacity, to a venue with 16,000 more seats (Thomas, 1996: 16). Later, the All Black team was treated to a ticker-tape parade on Auckland's Queen Street after winning the inaugural Tri-Nations competition and completing its first ever test series win in South Africa (Akers & McMillan, 1997: 6).

In contrast to its struggle to launch Super League, the Super 12 and Tri-Nations competitions provided News Corp with significant programming for Foxtel in Australia. The new competitions also served News Corp's subsidiary broadcasters and alliance partners around the world. Despite the presence of strong rugby league competitions in the UK and to a lesser extent, France, News Corp could boast a high profile international rugby competition. Although not as predominant as other long-standing professional sports such as soccer and cricket, its contract for southern hemisphere rugby was a major boon for News Corp. At this time, the broadcaster desperately needed new sports programming to launch and boost major pay-TV networks around the world. On the one hand, the new financial package provided a major influx of revenue into southern hemisphere rugby and ensured the unions would retain their players and develop the professional game; and on the other, it provided News Corp with a

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<sup>48</sup> The Auckland Blues comprehensively outplayed their South African rivals, the Natal Sharks, to win the inaugural competition (Australian Rugby Union, 1997: 40).

new means to make significant inroads into lucrative European and Asian broadcast markets.

With the new competitions came an immediate downside for fans of rugby in New Zealand. Because the SANZAR competitions were not screened free-to-air, a sizeable audience was denied coverage (Akers & McMillan, 1997: 6). Despite the traditional rugby broadcaster, TVNZ, owning a minority shareholding in Sky TV, the pay channel out-bid TVNZ to purchase the rights to News Corp matches (Unattributed, 1997a: 30). These included all the Tri-Nations and Super 12 matches, along with all NPC matches and all All Blacks games played in the three southern hemisphere countries (this did not include Rugby World Cup and International Rugby Sevens matches negotiated separately by the IRB). Although Sky TV on-sold delayed broadcast rights for selected matches back to TVNZ, the longstanding tradition of live free-to-air coverage for major matches came to an abrupt end. This occurred when Sky TV's reception had yet to reach 30% of the country (Unattributed, 1997b: 30). No longer was following the national game and the national team a nationally inclusive experience.

Controversy surrounding broadcast of rugby matches in the new professional era was not confined to New Zealand. In Australia, Optus took to court Channel Seven, the broadcaster that the ARU had traditionally used to broadcast its rugby. Optus claimed that a year earlier it had been promised the rights to domestic test matches by Channel Seven (Australian Rugby Union, 1997: 1). However, Seven was no longer able to deliver against this promise. As broadcast rights for test matches were now part of the SANZAR deal with News Corp, the broadcast rights had been on-sold to its pay-TV partner, Foxtel.

## Conclusion

Although rugby union had always been an amateur sport, the significant commercial interest in rugby ensured that the transition to a professional structure was inevitable. News Corp's search for programming to attract subscribers to a new pay-TV network was the catalyst for this to happen. In challenging the ownership of rugby league in Australasia, Rupert Murdoch's News Corp sought to usurp the incumbency of the Australian Rugby League (ARL) and PBL (broadcaster of the ARL matches) by purchasing the best teams and setting up a new premier league competition. Super League would be screened on the fledgling Foxtel pay-TV network and on News Corp affiliates in the United Kingdom. The move exemplified the integration of distribution channels with televisual content that forms a pattern of control for broadcast conglomerates. In effect, News Corp sought to leverage from the progress that ARL administrators had made to improve the popularity of league. It used the lure of inflated salaries to buy the loyalty of players for its Super League clubs. In those circumstances, the New Zealand, South Africa and Australian rugby unions were compelled to pay their elite players to ensure that they remained with rugby. It was critical for each union to maintain strong national teams for the game to remain popular domestically and internationally.

Recognising that international sports could deliver new broadcast revenue streams, the SANZAR unions developed new rugby competitions that it could sell to News Corp. This was regarded as a better option than modifying competitions already in place, as these would be unlikely to attract the revenue that the SANZAR unions required. The three unions saw the new SANZAR competitions as the 'Perfect Rugby Product'. The idea of rugby being an entertainment commodity that could be created, branded and then sold to a specific market was a major development for the game. But the transition from

an amateur structure to professionalism was hurried and unplanned. The conservative outlook of the IRB had been shared by the NZRFU, the ARU and SARFU. Consequently, the SANZAR unions negotiated major commercial contracts for the future of rugby without having the time to consider any international implications.

As SANZAR signed a heads of agreement with News Corp, they discovered that a rebel organisation, World Rugby Corporation (WRC), had been successful in gaining the support of SANZAR's elite players. In their haste to sign the News Corp agreement, the SANZAR unions had neglected to involve players and the provinces and clubs they represented in a decision that would affect the future of the game. The willingness of players to entertain the WRC concept demonstrated the depth of dissatisfaction among senior players and coaches toward their unions. With players disgruntled by their belief that a slow and long transition to professional rugby was affecting them financially, failure to adequately consult with them meant the national unions risked their most important assets being signed up by a rebel competition. Ultimately, the attitude of administrators towards players provided the impetus for players to consider other options. However, the players were also ill-equipped to fully consider the long-term implications of the transition to professionalism, particularly if that future was managed by the WRC. Although the WRC had sought to sign leading unions, the likelihood was that players would be lost to provinces and clubs. The link between developing players at club and provincial level for national honours would also be lost. The revenue that those involved in WRC might earn would also be unlikely to be used to build the game at the grassroots level. It is clear that some players understood this, but many others appeared swayed by a combination of dissatisfaction with their unions and the large amount of money being offered.

Players, whose demands for fair recompense for their efforts had been ignored in the past, took advantage of nationwide interest in their contribution to the game. To meet their own contractual agreement with News Corp, the SANZAR unions had no choice but to significantly improve their offers to players. But a belated willingness to meet WRC offers generated further unease amongst individual players and counted against the NZRFU's credibility. This encouraged some to push for further benefits. The discrepancy between player attitudes and the amateur ethos of the game was there for all to see. Poor communication between the NZRFU and its players provided the environment for distrust to flourish. Nevertheless, the failure of WRC to gain a committed broadcaster demonstrated the lack of genuine competition for News Corp at the top end of the international sports rights market. Although Kerry Packer's media company, PBL, had indicated that it would support WRC if it could prove its proposal was viable, the WRC folded when elite players started signing with their respective national unions, making PBL's (albeit conditional) support immaterial. News Corp was left as the only realistic buyer of the SANZAR package. Arguably its ten-year offer for the southern hemisphere game was far superior to the speculative WRC offer that promised three years and that rested on unions giving up their best players.

Considering the lack of competition for broadcast rights and the untried nature of the new competitions, the amount of money the SANZAR unions negotiated from News Corp was remarkable. The ten-year agreement (with the likelihood of another five years if all went well) demonstrated the importance that News Corp placed on its need for top-rating televisual content. This was critical for News Corp to build its pay-TV interests and demonstrated its belief in the ability of live sports programming to generate new subscriptions. Clearly, News Corp had bought a substantial international product. Rugby is far stronger internationally and is played more widely than is rugby league. As a

consequence, its broadcast market is far larger. Despite its amateur origins, the success of the Rugby World Cup and the international sevens tournaments that attract many new rugby-playing nations, demonstrate that rugby has significant potential for expansion. Ironically, the amateur history of the game had been the driver of its growth in commercial value. However, speculation concerning the negotiations throughout that first year between Packer and Murdoch gave another perspective. Arguably the two competitors shared more respect for each other than for the sports they wished to buy.

In contrast to the successful launch of the new professional rugby union competitions, News Corp struggled to satisfactorily launch Super League. Resolute defence from the ARL and in particular its relationship with the broadcaster of the ARL matches, the PBL-owned Channel Nine, led to a High Court decision precluding ARL players from playing for the new league until the start of the 1997 season. By this time, News Corp was already into the first year of a ten-year deal with the SANZAR unions. Despite having missed out on completing its plan to take league away from the ARL, its new rugby competitions were attractive in those markets in which News Corp had a commercial interest. This had the potential to be more valuable than any southern hemisphere league competition. In buying the rights to broadcast southern hemisphere rugby, News Corp gained control of a far more attractive product than league for its pay-TV networks and for broadcasters around the globe. But by developing new broadcast revenue streams that were exclusive to the southern hemisphere game, the large northern hemisphere unions were left out. They were not consulted by the SANZAR unions and would have to find their own way and sources of income.

Although there were anomalies in how its regional franchises were established, New Zealand teams performed particularly well during the first year of the Tri-

Nations and Super 12. The hardened professional attitude of New Zealand's leading rugby players, that had held the All Blacks in good stead during the amateur era, ensured they were a step ahead of their peers. Nevertheless, by accepting that it now had to develop significant revenue streams to pay and retain their elite players, the NZRFU was compelled to acquiesce to the requirements of the commercial agreements settled with the SANZAR unions and News Corp. Without any professional structure of its own, the union's decisions were heavily influenced by the demands of the commercially oriented broadcasters that had little interest in, and understanding of, the grassroots origins of New Zealand's rugby success. The new competitions effectively removed elite players from the majority of their club rugby commitments and also negatively affected their commitment to the NPC. Although in the past, only a few players had transferred from smaller unions to enhance their chances of becoming an All Black, the opportunity to win a professional contract by playing for a Super 12 franchise increased this substantially. Inequalities between larger unions and the smaller unions, predominantly but not only, within the second and third divisions of the NPC, started to widen considerably.

The introduction of the Rugby World Cup was a major step in the direction of professionalism. Its success provided significant signposts for the future of the game. Given the complexity of introducing the professional game, the NZRFU was remiss in not planning years previously, for an inevitable transition to a professional structure. The game was experiencing many instances of 'shamateurism' and the NZRFU's inefficient decision-making structures ensured the game also suffered. But this appeared to be ignored in the face of subservient adherence to the IRB's thinking that continued to favour amateur strictures. An insular culture may have prevented rugby unions from being more proactive in managing their futures; in fact, this was largely left to chance. As a consequence, the game was vulnerable to changes in corporate media ownership, technologies

and commercial objectives that led to global broadcasters acknowledging the opportunities inherent within rugby. The difficulty that the England RFU had in coping with the transition to professionalism was an indicator of how much better such a transition may have been if it had followed a careful plan over a number of years. If a rugby economy as large as England expressed doubts about its future, there were implications for how difficult smaller rugby nations would find the new professional era.

Rugby's role as a part of the country's culture and self-image had insulated the NZRFU from the pressures of change. The aggressive, commercial ambitions of a conglomerate with global broadcast media plans was difficult for the stakeholders of international, provincial and community rugby to match. The NZRFU's recalcitrance in planning for the inevitable forced it to hurriedly concur with the transition to professionalism for its elite players, without having the opportunity to plan ahead for the game at all levels. It would need to develop a new multi-level approach that drew revenue from the elite level with which to pay its top players *and* grow the game at the grassroots. All levels of the game were inextricably linked. Without strong grassroots support, the game was unlikely to prosper at the elite level. Conversely, a strong elite game ensured the high profile that would be needed to continue to encourage adoption of the game at lower levels.

## Chapter Three:

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### **Global Commercial Imperatives Restructure the National Game**

As a reflection of the significant amount of money now involved in rugby, the NZRFU changed its own structure and governance. Overnight, the union became a major earner of foreign exchange, although costs involved in administering the game increased enormously. In contrast to the amateur era, the NZRFU became New Zealand's monopoly employer of professional rugby players. These players were well-rewarded and their salaries became a substantial cost for the NZRFU. Outside this group, the vast majority of players playing club and provincial matches remained unpaid. Nevertheless, the returns that professional rugby earned from News Corp, various sponsorship agreements and other revenue streams leveraged from the broadcast deal, more than compensated for the costs of administering the game.

In earning the revenue it needed to pay its players, the NZRFU acquiesced to commercial demands complicit within its agreement with SANZAR and News Corp. Transition of the broadcast of live rugby free-to-air to pay-TV was among the consequences. The traditional broadcaster of live rugby was unable to outbid a pay-TV network that wanted to use the national game to substantially increase subscriptions. Viewing live rugby was restricted to those who could afford it. To maximise the size of television audiences, changes were also made to the operation of the game. Some of these enhanced the entertainment value of matches to attract new fans and supporters. Other changes were less popular. Nevertheless, the broadcast agreements and the size of the television audiences attracted by matches were important for the NZRFU. Well-performing

international rugby nations could leverage from their high profile by negotiating lucrative sponsorships with global consumer marketers and brands.

In the professional environment, the traditions and image of the All Blacks became important generators of new revenue streams. However, the match-day competition between rugby teams was paralleled by commercial competition between the rival consumer brands associated with each team. This had a significant impact on the perception of New Zealand's national game and its role within the nation's imagery. No longer was rugby played at the elite level simply as a demonstration of national rivalry among sporting peers. In earning the revenue that effectively paid their salaries, rugby players became reliant on the perceived value placed on their efforts by broadcasters, global brands and marketers, rather than by fans and supporters of the game.

### **Broadcasting Live Rugby on Pay-TV**

From the first season of open rugby, the administration and promotion of New Zealand's national game changed markedly. The most obvious was the transfer of rugby away from free-to-air television to pay-TV. During the 1980s, broadcast rights for rugby had been a negotiable package between TVNZ and the NZRFU. TVNZ sold advertising in and around match broadcasts and promoted these to its viewers. Highlights packages were included in reviews of major matches and footage was featured within prime time news programmes. But the NZRFU's agreement with its SANZAR partners placed the broadcast rights to the NPC and most All Black matches in the hands of News Corp. They could on-sell rights to other broadcasters, including pay-TV and cable. Although NZRFU Chairman, Ritchie Guy, had implied that live broadcast of matches would remain available free-to-air, there was no obligation in the contract between SANZAR and News Corp for this to happen (Hope, 2002: 245 - 247).

The new SANZAR competitions were considered to be a tremendous success, but television viewership was restricted from the start (Akers & McMillan, 1997: 6). In New Zealand, broadcast rights for matches falling under the SANZAR deal were on-sold to pay-TV network, Sky TV. In turn, the network on-sold rights for the delayed broadcast of certain matches to TVNZ, one of its shareholders (Unattributed, 1997a: 30). The transition from free-to-air to pay-TV was abrupt, with many struggling to understand the implications. For years, New Zealanders had taken for granted that its national game would be screened as it happened, via a medium that all could afford. However, TVNZ lacked the financial resources to outbid Sky TV at the rates charged by News Corp. The only matches that weren't included in the News Corp deal were those purchased by TVNZ from the IRB. These included Rugby World Cup and Sevens Rugby tournaments. For any remaining matches played overseas other than in one of the SANZAR countries, the NZRFU's planning included negotiating broadcast rights with the host union. Any one of the major broadcasters, including TVNZ, Sky TV and the CanWest network could bid for the rights to screen these matches in New Zealand (Gaynor, 2002: C2).

Like its counterparts in Australia and elsewhere, Sky TV saw live sports programming as a critical lever for building a strong subscriber base. The use of sports rights as a means of increasing investor value for independently owned and publicly listed broadcasters was well established (Deans, 1999: C2). Ironically, the commercial value of sports programming had been built by the work of free-to-air broadcasters over the years as major sports events became central to television programming and advertising revenue strategies. Although Sky TV on-sold to TVNZ the rights for delayed broadcast of some matches, the immediacy of live sport meant that delayed broadcasts, even if only delayed by two hours, were not attractive for rugby fans. This was a measure of the value of

rugby broadcasts to Sky TV; its management wanted to use the broadcast rights to attract subscribers and increase company profitability, simply on the basis that viewers would pay to watch televised live matches. Those unable to afford a Sky UHF decoder were forced to turn to radio or delayed broadcasts. (For many, it signalled a return to a time when live rugby broadcasts were only ever heard over the radio.) Others took up opportunities to watch matches in the lounges of Sky TV-equipped hotels that advertised live televised rugby broadcasts as a means of attracting more patrons. Consequently, a division emerged between those who could afford to share in enjoying a long-standing cultural experience and those who could not.

Furthermore, during the first year of the SANZAR contract, Sky TV coverage was still to reach over 400,000 people due to the geographic limitations of its line-of-sight transmitter base (Unattributed, 1997a: *ibid*). Even as late as April 1998, when Sky TV announced plans for a digital service that would extend into areas not previously covered, 27% of New Zealand was still outside of Sky TV's UHF reception area (Brockett, 1998: 13). The eventual introduction of digital technology would come at a higher price than Sky's standard UHF reception. The installation cost charged to new subscribers for the digital connection was \$NZ 650, which Sky described as discounted from the actual cost of \$NZ 920 (plus GST) incurred for each installation (Unattributed, 1997a: *ibid*).

Some Members of Parliament mistakenly believed that the signing of the SANZAR contract with News Corp would still allow professional rugby to be televised live, via free-to-air television. The Prime Minister's press secretary expressed the concern that denying access to live televised broadcast of matches was "contrary to the spirit of the deal" between the NZRFU and News Corp. However, the Minister of Broadcasting, Maurice Williamson, pointed out that how the games were shown was now up to News Corp (Bain, 1996: 1). The

issue prompted a parliamentary debate in early February 1996, weeks before the first ever Super 12 match was played. Several MPs stressed the need to protect matches of national significance and NZ First deputy leader, Tau Henare, sought to introduce a private member's bill requiring free-to-air broadcast of All Black test matches. However, National Party MPs blocked this move, with Attorney General, Paul East, indicating that Parliament should not interfere in a legitimate contractual deal (Unattributed, 1996: 2).<sup>49</sup>

Nevertheless, the government did influence TVNZ's ability to compete with Sky TV. Following Sky TV's first year as New Zealand's broadcaster of live rugby, News Corp-controlled Independent News Limited (INL) took a 48% controlling interest in the pay-TV network (Unattributed, 1997b: 30). The move was interpreted as the first step in plans for joint development of digital television with fellow Sky TV shareholder, TVNZ. However, due to pressures placed on TVNZ to return significant dividends to the National government, the joint venture never developed. Eighteen months later, TVNZ sold its Sky TV shares to INL in controversial circumstances. Although the deal made a large profit for TVNZ, critics regarded it as a firesale. TVNZ had earlier paid \$NZ 16 million for its stake in Sky, allowing it to expand into digital technology (Brown, 2004: 28). Although the subsequent sale to INL raised \$NZ 126.7 million, its offer to TVNZ of \$2.75/share was significantly less than an offer from a consortium of institutional investors; reported to be \$2.90/share and worth another \$NZ 6.9 million (Unattributed, 1999a: 21) (Rosenburg, 2002: 79).

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<sup>49</sup> Years later, the issue of 'icon sports events' being screened live and free-to-air became a political issue during the lead-up to the 2002 national election. Deputy leader of the coalition government and leader of the Alliance party, Jim Anderton, said his party would promote a policy whereby major sporting fixtures important to New Zealand culture would be available free for viewers. Anderton said icon sports fixtures might include netball tests with Australia, cricket matches against Australia and All Black tests. He added the country must be prepared to pay for this through taxpayer funds being re-directed to support or prop up sports organisations to provide free-to-air, live coverage (Cleave, 2002a: A5).

The sale of its Sky TV shares, along with the return from the sale of shares in telco, Clear Communication, allowed TVNZ to pay a \$NZ 70 million dividend to its government shareholder. The National government had believed that upgrading TVNZ to a digital platform would be too expensive and it would be better to privatise the state broadcaster (Unattributed, 1999b: 28) (Rosenburg, 2002: 80). While the handsome dividend encouraged the government to delay the proposed sale, it also financially weakened TVNZ thereby ensuring that conversion to digital television would become far more difficult and the organisation less attractive to potential buyers. A TVNZ report released the following year revealed that upgrading to digital TV would cost TVNZ approximately \$NZ 150 million. Government cabinet papers also revealed that Sky TV had been lobbying government to direct TVNZ to broadcast TV One and TV2 through Sky's fledging digital network. Ostensibly this would provide Sky with a competitive advantage in the race to set up digital TV services and reduce TVNZ's control over how its programmes were presented (Unattributed, 2000: 12).

For INL, its purchase of TVNZ's shares allowed the company to claim ownership of approximately 66% of Sky TV, thereby strengthening pay-TV's hold on broadcast rights for sports at the expense of free-to-air broadcasters (Hendry, 2003: C1). Weeks later, Sky TV changed its mind about on-selling delayed coverage of sports to TVNZ and instead committed to a relationship with the Canwest-owned TV3 network.<sup>50</sup> It would now on-sell broadcast rights for rugby, plus recently purchased broadcast rights for cricket and rugby league, to TV3. This provided the struggling TV3 with a significant programming advantage over TVNZ. As a consequence, after long being the traditional broadcaster of international rugby in New Zealand, TVNZ could no longer

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<sup>50</sup> TV3, New Zealand's first privately owned free-to-air television network, was launched in 1989. It has been owned and operated by Canwest since 1991. It added a second national channel, TV4, in 1997 (Television New Zealand, 2005: *ibid*).

screen NPC, test or Super 12 rugby other than as excerpts that it would buy for its daily news programming. TVNZ could only negotiate for rights to international Sevens Rugby and to the Rugby World Cup (which it already held for the 1999 and 2003 events), or for rights to All Black matches played in countries other than New Zealand, Australia and South Africa. In response, TVNZ ended its sale to Sky TV of nightly replay rights for TVNZ's evening news programmes. However, this was of minor and only temporary inconvenience to Sky TV. It duly started airing TV3's nightly news programme in its place (Unattributed, 1999c: 3).

The dramatic transition from free-to-air broadcast to pay-TV controlled viewership underlined other major changes in rugby. Administration costs grew substantially during the introduction of the new professional regime. While managing what had become - almost overnight - a major business in a growing global market, the NZRFU was now paying large salaries to its elite players who had in effect become its employees. Previously, rugby's administration had been underwritten by the efforts of many enthusiastic volunteers at every level of the game. As well as keeping costs low, this had provided excellent opportunities for people passionate about rugby to be closely involved in its operation. However, to become financially accountable for the huge amounts of money entering the game, the NZRFU had to develop new administrative systems whereby suitably qualified staff could manage new revenue streams. It was also important to develop other revenue streams to diversify commercial risks. In adopting the recommendations of a Boston consultancy report analysing its governance structure, the NZRFU board was reduced from 19 to just nine, with two of these independent (i.e. non-rugby union) appointments. The NZRFU introduced currency hedging to manage the risk inherent within earning most of its income in \$US. It also explored the options of increasing its revenue potential

by securing e-commerce and other new media rights (Gray, 2000: B4) (Howie, 2001: 14).

### **Operational and Scheduling Changes for Rugby**

Huge growth in income earned from broadcasters was a reflection of the new environment that rugby was now operating within. For the 1995 rugby season, the New Zealand, Australian and South African rugby unions earned \$US 5.7 million in media broadcasts. In 1996, thanks largely to the package negotiated by SANZAR with News Corp, that sum rose to \$US 32 million across the three unions. As part of the negotiated package, these returns grew year by year during the ten-year long contract. By the end of the 2001 financial year, revenue from the sale of broadcast rights had reached \$NZ 37.5 million for the NZRFU alone, with another \$NZ 35.2 million earned in sponsorships (Gaynor, 2001: C2). However, player contract fees had increased to become the NZRFU's biggest annual expense at \$NZ 28.2 million. Overall costs including players fees, administration and development of the game throughout the country, increased to \$NZ 69 million. By this time, its best-known player, Jonah Lomu, was being paid \$NZ 300,000 pa for his on-field efforts by the NZRFU (Watkin, 2001: E1 - E2).

Maintaining positive relationships between rugby unions and broadcast partners is critical for managing the significant costs of an international professional rugby circuit. It has required the NZRFU and its SANZAR partners to meet a range of commercial demands. As part of the SANZAR agreement, Super 12, Tri-Nations and other rugby tests (plus leading NPC matches) were broadcast live-to-air during peak evening television viewing times. This allows the broadcaster to maximise revenue from lucrative advertising spots. As a consequence, internationals, Super 12 and First Division NPC rugby matches

almost invariably start at 7.35 pm on a Friday or Saturday rather than at the traditional Saturday mid-afternoon start time of 2.30pm. Previously, an afternoon start-time was considered to suit spectators and provide the best ground conditions. Warm, dry conditions are conducive to a faster, more expansive and attractive game, whereas cool, evening conditions when dew has formed across the field, require a game plan centred around tight exchanges between forwards and a defensive game minimising errors with a wet, slippery ball. Although the majority of the Super 12 season is played during early to mid-autumn in warm and dry conditions, New Zealand test matches and NPC matches are played during the worst of the winter months. On the one hand, playing matches at night maximises television audiences, while on the other, the timing exacerbates the impact of wet wintry conditions. As a consequence, the rugby is a poorer, less attractive spectacle (Unattributed, 2003a). But without large television audiences, the matches would not be attractive to broadcasters and sponsors.

In an article headed 'Grim TV viewing, but it pays rugby's bills', the comments of All Blacks' coaching staff during the 2002 season criticised the playing of tests at night were shown to be at odds with their NZRFU commitments. "Test rugby should be a showcase, but clearly it is compromised under these circumstances," said All Blacks assistant coach, Robbie Deans, after a Tri-Nations night test played against Australia in Christchurch, during temperatures of 4°C (MacLeod, 2002: A1). Deans, a former All Black, said tests should start at the traditional time of 2.30pm as spectators and television viewers " ... would get a better spectacle and you're more able to play an expansive game" (Kayes, 2002: 32). All Black coach, John Mitchell, argued that too many evening games were being spoiled by wintry conditions, while senior player, Justin Marshall, believed that evening matches in the winter were not conducive to playing a style of rugby that would be exciting for players and spectators alike (Hinton, 2002a: B5).

Although CEO Worldwide of Saatchi & Saatchi, Kevin Roberts, one of the NZRFU's negotiators of the deal with News Corp, said the agreement with the broadcaster did not stipulate matches would be played at night, the NZRFU and its SANZAR partners accepted that the tenor of the agreement required them to maximise television audiences (Roberts, 2003: 28) (Smith, 2003a: 12).<sup>51</sup> The NZRFU has sought to achieve this through scheduling night games. "Whether we like it or not, we need to gather a significant amount of revenue. We have to balance the spectacle with paying the bills," said Steve Tew, NZRFU's general manager of rugby, when asked to defend the comments of his coaching staff (MacLeod, 2002: *ibid*).

Regarding the size of international television audiences, night tests easily out-rate afternoon internationals in New Zealand by as much as 20%. Australian broadcaster, Channel 7, is said to generate seven times the audience for a Bledisloe Cup match between the All Blacks and Wallabies when it starts with a 5.35 pm kick-off (7.35 pm NZ-time) rather than at 12.35 pm (Hinton, 2002a: *ibid*).<sup>52</sup> In contrast, broadcasters have to reduce the cost of television time for advertisers if matches are screened live at less commercially attractive times (Smith, 2003a: *ibid*). Playing night matches in New Zealand is also good for European and Asian markets. They are screened live in the morning in Britain and Europe and in the late afternoon in the lucrative Asia market, thereby maximising viewership for broadcasters in these markets (Kayes, 2002: *ibid*). Global viewing statistics suggest live matches attract 60% more viewers than delayed screening of events two hours later. Notably, a live telecast in a

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<sup>51</sup> When News Corp on-sold the broadcaster rights to other broadcasters such as Sky TV, M-Net, Channel 7 and BSkyB, it also on-sold the obligation to ensure matches would be scheduled at an optimum time for international viewing in each country served by the broadcaster(s), said Steve Tew (Smith, 2003a: 12).

<sup>52</sup> "It's a reality of professional sport that aligning live broadcasts and primetime viewing windows generates financial success and increases interest in target markets", said NZRFU commercial manger, Trevor McKewen (Hinton, 2002a: *ibid*).

breakfast time slot in markets such as the UK rates higher than a telecast from New Zealand in early afternoon. To maintain positive broadcaster relationships, the NZRFU must schedule its matches with international time zones in mind (Hinton, 2002a: *ibid*).<sup>53</sup> This is what News Corp anticipates from its relationship with SANZAR. It ensures that broadcasters, to whom it has on-sold rights, are satisfied with the large international audiences matches will generate. Large television audiences also ensure that team sponsors will be satisfied with the exposure provided for their brands.

In addition to new operational and timing structures for Super 12, NPC and test matches, end-of-year tours offshore are now commercially important for the All Blacks. These attract reciprocal tours from leading overseas teams that in turn provide good gate receipts for provincial rugby unions and managers of venues (Gaynor, 2001: *ibid*). Tours also play a role in meeting a requirement of the News Corp contract for the broadcast of at least five home All Black test matches each season (Bingham, Gardiner & Gamble, 2001: B5). Naturally, more games played each season - either in New Zealand or overseas - provides additional exposure and value for sponsor brands associated with the All Blacks. However, the matches that the All Blacks play overseas generate far more revenue for offshore unions than do reciprocal tours to New Zealand. In fact, overseas matches involving the All Blacks draw bigger audiences and more revenue than matches with any other team (Potter, 2001: A7).<sup>54</sup> As in the amateur era, host countries keep all revenue from tests.

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<sup>53</sup> "We cannot sustain professional rugby in New Zealand alone. We need to have international relationships with broadcasters and other corporations," added Steve Tew, referring also to arrangements concerning the exposure of sponsors to lucrative television markets. "Those relationships are significantly enhanced in value if we're aware of time zones" (Hinton, 2002a: *ibid*).

<sup>54</sup> During 2000, when France played host to the current world champion Australian team, 60,000 people watched the match live at the stadium and one million French watched it on television.

Greater income translates to a greater ability to train winning teams and develop better facilities. In this way, New Zealand's small economic base generates less than that earned by more financially resourced opponents. This disadvantages the All Blacks in comparison to teams from wealthier, more populated nations (Unattributed, 2002a). Estimates indicate that when New Zealand plays England home and away, under current financial arrangements the NZRFU only receive 15% of the total profit (Hinton, 2001a: B1).<sup>55</sup> With the inclusion of temporary seating, New Zealand's biggest rugby venue Auckland's Eden Park has a capacity of 48,000 (Knight, 2002c: B18). Although a full house earns significant revenue for Auckland rugby and the NZRFU, this pales in comparison with the \$A 3 million earned from a sold-out match between the All Blacks and the Wallabies at Sydney's 90,000 capacity Olympic Stadium (Alexander, 2001: E3). The Stadium established a world record crowd for a rugby match in 1999 when in its 2000 Olympics seating formation, 107,042 spectators were hosted for an All Blacks/Wallabies Bledisloe Cup match (Zavos, 2004a: 60). This is more than twice the audience (and therefore, at least twice the revenue earning potential) that could be hosted at a match in New Zealand.

### **Leveraging Sponsorship Revenue from Broadcast Rights**

Despite the imbalance in revenue earned from home and away matches, the ability of the All Blacks to draw large spectator and television audiences has major advantages. As a commercially attractive on-field opponent, the All Blacks can leverage lucrative sponsorship agreements. For the 2001 year,

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When France hosted the All Blacks, the same stadium sold out its 80,000 seats and six million French watched the match on television (Potter, 2001: *ibid*).

<sup>55</sup> "The All Blacks are touring the world and raising millions and millions of pounds for northern hemisphere countries by being there and seeing very little reward for that," says former All Black captain, David Kirk (Unattributed, 2002a: *ibid*).

sponsorships earned \$NZ 35.2 million for the NZRFU, the majority from a deal negotiated in 1999 with German sports company, Adidas. In comparison, during 2001 the Australian Rugby Union (ARU) and the South African Rugby Football Union (SARFU) earned \$NZ 17.3 million and \$NZ 19.2 million respectively (Gaynor, 2002: *ibid*).

The NZRFU's initial contract with Adidas is thought to be worth \$NZ 130 million over five years (and was re-negotiated in 2002 until 2011). Believed to be worth more than twice the amount offered by its rival, Nike, it includes the supply of apparel and footwear for players, marketing and promotional assistance and specialist coaching and development assistance for lower grade rugby (Heeringa, 1997: 7) (Unattributed, 2003b: 7). The design of a new All Black playing strip for the 1999 Rugby World Cup promoted Adidas as a brand name synonymous with state-of-the-art sportswear. It meant the All Blacks were promoted as a global corporate product, or literally, clotheshorses for the apparel giant. Adidas head of global marketing, Michael Riehl, describes the traditional values of the All Blacks as the reason that, "of all our partners, they're the ones who represent our brand values the best" (Hinton, 2002b: B4).<sup>56</sup> Its global relationship with the All Blacks is the only rugby sponsorship the sportswear giant promotes internationally and is unique in its exclusivity. Only a relationship Adidas has with the New York Yankees baseball team is larger, said the Adidas President, Robert Louis-Dreyfus (Romanos, 2002: 88 - 89). New Zealand marketing manager for Adidas, Craig Lawson, described its relationship with the All Blacks as having "bought into 100-plus years of proud All Black rugby" (Unattributed, 2002b: D3). In effect, the successes of the All Blacks

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<sup>56</sup> Riehl describes the value of the All Black brand in relation to the world champion football team, Brazil. "I would not compare Brazil with the All Blacks," explained Riehl, "because in a way they have less depth, less adherence to their values. Brazilian football has been through more scandal in the last three years than you'd find in 100 years of All Black history" (Hinton, 2002b: *ibid*).

during the amateur era and the traditions developed as New Zealand's national game are now critical factors for leveraging lucrative sponsorships from rugby.

The Adidas relationship has not been without its controversy. Although Nike was thought to be Adidas' closest rival in the tender process, negotiation of the contract in 1999 marked the end of a long-term relationship between the NZRFU and New Zealand company, Lane Walker Rudkin (LWR). The All Blacks had worn jerseys from its clothing brand, Canterbury, for many seasons. Shortly after the loss of the contract, LWR usurped the NZRFU (and by association, its relationship with Adidas) by successfully defending a High Court injunction that sought to prevent LWR from marketing its Invincibles rugby jerseys. The NZRFU unsuccessfully challenged LWR for basing the design of the jerseys on the jerseys worn by the legendary 1924 All Black team, the Invincibles (Unattributed, 2001a). In his judgement of the case, Justice Doogue argued that the All Blacks were a part of New Zealand's history and the NZRFU did not necessarily have exclusive rights to aspects of All Black imagery (Romanos, 2002: 65). His ruling indicated the tenuous nature of the NZRFU's position when attempting to take ownership of iconic features that in the professional era had important commercial value. Although subsequently bought by an US-based NZ businessman, the Canterbury brand remains the jersey sponsor for many other international teams. It also supplies rugby jerseys for the Hong Kong sevens competition and many of New Zealand's NPC teams (Dann, 2001: E1). LWR signalled its international marketing intent by designing a new high-tech, lightweight uniform for the Australian team at the 2003 Rugby World Cup (Owen 2003).

Intellectual property rights including trademarks (particularly registered trademarks) are increasingly recognised as assets and every attempt is made to protect their value (Richardson, 2003: A1). Influenced by its failure to prevent

LWR from marketing the Invincibles brand, the NZRFU registered its use of a modified silver fern as part of the All Blacks logo. Ironically, when asked in 1924 by the Government whether it might like to have exclusive rights to the Silver Fern, the NZRFU Chairman at the time declined the offer (Romanos, 2002: *ibid*). Many national sports teams and organisations, including Olympic and Commonwealth Games athletes, have since worn the silver fern as a key part of apparel and identification without gaining exclusive rights to its use. Nevertheless, the NZRFU registered a modified silver fern logo with the words 'All Blacks', but minus the words 'New Zealand' (Thoreau & Latta, 2002).<sup>57</sup> The removal of 'New Zealand' from the All Blacks logo emphasised the NZRFU's desire to operate with, and be commercially attractive for, sponsors working within a global marketplace. Demonstrably tying the All Black brand to New Zealand was not a valued commercial advantage. Legally, the change protects the use of the logo for global sponsors such as Adidas and makes it illegal for competing brands to mimic the All Black logo and sell it off as their own (Unattributed, 2002c).<sup>58</sup> The process reflects the commercial environment the NZRFU operates within.

Further controversy dogged the Adidas contract. The NZRFU had agreed that Adidas rugby balls would be used for all home All Blacks tests and in the NPC. However, during the 2002 season a yellow 'Torpedo' branded Adidas ball was criticised by players, including captain of the visiting Irish national team. All Black kicker, Andrew Mehrtens, famously called the ball "a pig and a lemon". Concerned that his comments would jeopardise its relationship with Adidas, Mehrtens was briefly censured by the NZRFU (Unattributed, 2002d: B6). A

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<sup>57</sup> The words 'New Zealand' had been added to the All Blacks logo in 1986 when it had first been officially registered as a trademark (Unattributed 2002c).

<sup>58</sup> Critics of the trademark application explained that a black jersey with a white collar and silver fern device, although popularised by representative New Zealand rugby teams, has been adopted for decades by many other sports as indicative of New Zealand (Thoreau & Latta, 2002).

competitor's ball known as the Gilbert ball was the ball of choice for the Super 12 competition and was preferred by the All Blacks prior to initial negotiation of the Adidas contract. During early re-negotiation of the contract in 2002, the NZRFU and Adidas agreed to release "a number of sponsorship properties...for the NZRFU to separately sell to generate extra income. One of these properties was the ball," said NZRFU deputy chief executive, Steve Tew, in March 2003 (Unattributed, 2003c) (Bingham, 2003b: B2). Despite the commercial implications of reverting back to the Gilbert ball, the decision was pragmatic for the NZRFU. Notwithstanding criticism of the Adidas ball, the Gilbert ball had been contracted by SANZAR for the Super 12 and the IRB had chosen it for the 2003 Rugby World Cup (Unattributed, 2003c: *ibid*).<sup>59</sup>

Other high profile sponsorships are also contracted. Lion Breweries' Steinlager brand has a long-term association with the All Blacks and Dutch consumer products manufacturer, Philips, sponsors the Tri-Nations series and other test matches in New Zealand (Bingham, 2003b: B1).<sup>60</sup> The Ford motor vehicle company sponsors Super 12 teams while U-Bix and Telecom have sponsored New Zealand's Super 12 competition. During 2004, the sports retail chain, Rebel Sport, assumed the lead sponsor role for Super 12 matches in New Zealand.<sup>61</sup>

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<sup>59</sup> Adidas-Salomon remains the world's second biggest maker of sporting goods, behind industry leader, Nike. Sales during its 2002 financial year rose 7% to \$NZ 12.8 billion, the highest in its 54-year history. Adidas, like Nike, targets shoppers in the 14 to 24 year age group with shoes and clothes for sports and daily use. In seeking to expand its 11% share of the US market, Adidas has added new product lines such as a new sports shoe linked to NBA star, Tracy McGrady. The company's profit for the 2002 was larger than expected when the company's expenses were less than it had anticipated for its involvement in the 2002 FIFA World Cup, its prime focus for sports sponsorship (Unattributed, 2003d: C7).

<sup>60</sup> Signing of the initial Adidas contract led to the removal of the Steinlager brand from the All Blacks' official on-field uniform. However, re-negotiation of the Adidas contract in 2002, as well as allowing the return of the Gilbert ball, opened the way for the Steinlager logo to once again appear as a jersey sponsor, albeit only on the All Blacks training strip (Bingham, 2003: B3).

<sup>61</sup> Telecom ISP subsidiary, xtra, was the principal name sponsor of the Super 12 competition in New Zealand during the 2003 season with cereal company, Sanitarium.

Global fast food company, McDonalds, has also been involved as a sponsor for the NZRFU via the union's youth development programme and with the All Blacks. However, a review of its sponsorships led the NZRFU to decide that the McDonalds profile was better suited to the Super 12, where it would appeal to a broader section of the population newly attracted to rugby entertainment (Gaynor, 2001: *ibid*) (Gilson, Pratt, Roberts & Weymes, 2001: 284). International credit card company MasterCard leverages from the All Blacks brand by marketing a co-branded MasterCard/All Black credit card. Additionally, referees adjudicating Super 12 matches in New Zealand have worn clothing sponsored by recruitment company, Adecco (Unattributed, 2002e).

The opportunity for sponsors to be associated with the NZRFU can only be usefully exploited if matches are broadcast around New Zealand and, in particular, around the globe. The revenues the NZRFU now earns from its sponsors depend on the commercial interests of broadcaster, News Corp. The certainty that matches featuring the All Blacks will be played to an affluent global television audience provides a global marketer such as Adidas the incentive to negotiate a global sponsorship agreement. Given that the initial ten-year contract between SANZAR and News Corp concludes in December 2005, it was important for the NZRFU to renew its initial contract with Adidas a year before its expiry, during 2002. The new contract included the opportunity for brand promotion during the 2003 Rugby World Cup via the All Blacks (Tew, 2003a: 9). Other rugby teams have followed suit and signed up apparel sponsors (for example, Nike outfitted the England team). Matches between major rugby teams are just as much a commercial competition between leading apparel brands such as Nike and Adidas (Unattributed, 2003e).<sup>62</sup> Notably, Adidas regards its sponsorship mutually advantageous for both parties due to the All

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<sup>62</sup> As part of its promotional and sponsorship deal with the England RU, Nike (Adidas' biggest rival) designed a new revolutionary skin-tight, non-grip jersey that reduced the ability of opposition players to tackle England's players (Unattributed, 2003e).

Blacks brand sharing “similar values and common passion for sport” (Unattributed, 2003b: *ibid*). But without the guaranteed global coverage of the News Corp broadcast relationship, the Adidas contract would be almost worthless and impossible to negotiate. Although confidential to the parties involved, it is likely that the re-negotiated contract anticipates the NZRFU will deliver a satisfactory level of broadcast coverage for the duration of the agreement.

### **Commercial Contracts and On-Field Performance**

In the professional era, the NZRFU requires elite players to meet the requirements it has negotiated with broadcasters and sponsors. This is vital for the NZRFU in providing the value the sponsors and broadcasters expect. Commercial obligations the union enters into range from players wearing the sponsor’s product during public appearances, to involvement in a range of television advertising and one-off sponsor events. Some activities appear to have very little to do with playing rugby and distract from preparation for major matches (Middleton, 2004: A15) (Rowan, 2004: A1). A promotional commitment to matches and competitions that earn the NZRFU revenue while maintaining their form for commercially high-profile test matches puts physical and mental pressure on players. They must remain injury-free and available for as many top-level games as are required. The absolute necessity to win matches to retain sponsorships - at Super 12, NPC level and internationally - means extra emphasis on learning rigorous defensive patterns and more time spent training and heightening player fitness.

To counter this, All Black (and Super 12) coaches have introduced ‘player rotation’ policies that lead to under-strength teams being selected for matches against clearly weaker opposition. This safeguards leading players from injuries

that would exclude them from key games (Becht, 2002). Since international rule changes approved by the IRB to allow for more continuity and greater activity throughout the entirety of a match, players can now be replaced at any time during the game. With each team able to draw on seven reserves, more players are featuring in each match than ever before. With a larger pool of players recognised as All Blacks, and as team selectors search for new talent to replace older - sometimes burnt-out - players, the value of selection is diluted. In the amateur era, every All Black match was seen of supreme importance; the best players were chosen and reserves were only introduced into a game as a result of injury.

The long tours of the past that mixed games against provincial teams alongside test matches have given way to high revenue-earning internationals and Tri-Nations and Super 12 competitions that are the criterion of the News Corp broadcasting contract. Comparative statistics bear out the change. During the seven years preceding the advent of professional rugby, from 1989 to 1995, the All Blacks played 111 matches at an average of 16 a year. Of these, almost half (54 matches) involved non-international opponents. From 1996 to 2002, 84 All Black matches were played with only twelve non-test matches. During that period, the selectors introduced 79 new All Blacks. However, in the previous seven years when more matches were played (111 matches), there was only 56 new All Blacks introduced (Becht, 2002: *ibid*). Consequently, some players now feature in just a handful of games as selectors trial new players against weaker opposition. Yet, many other players over longer consecutive seasons are quickly achieving test points and appearance records that are far superior but almost meaningless when compared against records achieved in the amateur era.

Travelling longer distances to matches as part of a demanding playing schedule also contributes to the burnout of elite rugby players (Maddaford, 2001: D4). The

requirement for New Zealand's elite players to be available for Super 12, one-off internationals, the Tri-Nations, NPC matches and end-of-year tours, has been of growing concern for player unions and coaches. In support of a submission by the International Rugby Players Association (IRPA) to the International Rugby Board (IRB), Rod McQueen, former coach of the 1999 Rugby World Cup winning Wallabies team, said he believed player burnout was the biggest issue facing world rugby. He suggested establishing a common global season in the northern and southern hemispheres to resolve the problem (Unattributed, 2002f). Only months after his appointment to the All Blacks coaching role (toward the end of the 2001 rugby season), John Mitchell appeared to agree with McQueen by protesting at the number of games his top-line players were required to play in a season. Mitchell asked the NZRFU, unsuccessfully, for a 2002 end-of-season All Black tour of England, Wales and France to be cancelled. He wanted his leading players to have a break ahead of a lengthy 2003 season that would conclude with the high-priority Rugby World Cup. Underpinning the tour were agreements between the NZRFU and its English, French and Welsh counterparts, the broadcaster contracted for the tour matches and with the IRB over its tournament schedules (Hinton, 2001b: B4). It was commercially expedient for the tour to go ahead, even if it risked disadvantaging the All Blacks from preparing for the long 2003 season ahead.

Acknowledging that introduction of the professional game has put physical and mental strain on players, the IRB recommended an eight-week rest period for international players in 2002. Chairman of the IRB at the time, Vernon Pugh, highlighted the greater on-field intensity of the game at the highest level, itself a consequence of the new commercial importance to win matches. "There is little doubt that rugby has matured significantly as a sport during the professional era and we need to ensure that procedures are in place to review the increasing pressure upon players," said Pugh (Unattributed, 2002f: *ibid*). Yet the

recommendation has been difficult to adopt. Large numbers of players balance obligations with national teams with their contracted commitment to other teams. International players drawn from southern hemisphere countries, notably Samoa, Fiji and Tonga, now play on contract with UK/Europe club teams during a different season to that of their own country.

The IRB also finds commercial imperatives complex to manage. Despite the difficulty of determining a common eight-week break, the IRB Chairman controversially proposed an annual match that would bring together the best players from the northern hemisphere to play against the best from the southern hemisphere during November 2002 (Gray, 2002b: *ibid*). The IRB wanted to use the match - proposed for Wales' biggest stadium - to generate revenue it planned to distribute to national teams experiencing financial difficulties (Unattributed, 2001b).<sup>63</sup> Its proposal was heavily criticised by a number of leading rugby nations and the match was eventually called off (Unattributed, 2002g: D6). The three leading southern hemisphere unions refused to provide their contracted players to the match, arguing that it added a further major fixture to the already tight international rugby season (Unattributed, 2001c). The NZRFU Chairman argued that the idea was contrary to player welfare, one of the primary motivations behind the proposal of a global international rugby season (Unattributed, 2001d).

For the NZRFU, the importance of its players being at their peak for major matches is clear. A series of poor performances discourage spectator and television viewership and this in turn weakens the NZRFU's negotiation strength vis-à-vis current or projected revenue streams from broadcast fees and

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<sup>63</sup> "A match of this kind would help provide much needed financial assistance to those countries such as Samoa and Fiji and a number of emerging European nations that are currently experiencing difficulties," said IRB Acting Chief Executive, Hugh Penman (Unattributed, 2001b: *ibid*).

sponsorship. Craig Lawson, New Zealand's managing director for Adidas, acknowledged that the poor showing of New Zealand teams during the 2001 Super 12 competition, when all five New Zealand teams failed to make the competition's semi-finals, adversely affected sales of Adidas' sporting equipment. Although stating that the All Blacks "are the most sought-after rugby brand", Lawson acknowledged, prior to early renegotiation of the five-year Adidas contract, the importance to Adidas of winning All Black performances over the next three years (including the 2003 Rugby World Cup). However, Lawson believed the status of the deal between Adidas and the NZRFU was "very healthy" despite the All Blacks' mixed results against the world champion Wallabies team during 2000 and 2001 (Gamble, 2001: B2).

### **The All Blacks: National Team or Global Product?**

Commercial relationships between the All Blacks and the brands and broadcasters with which the NZRFU negotiates, underwrites the game. Without the revenue from Adidas, News Corp and others, the All Blacks would be out of step with other professional teams. Ensuring it can build the revenue to pay its elite players is critical for the NZRFU. In the pre-professional era, revenue earned was largely a by-product of All Blacks matches and was spent on facilities and basic physical infrastructure. In the professional era, generating revenue drives the game itself. The NZRFU sells opportunities for sponsors and broadcasters that make the professional game viable. Effectively, it is the broadcasters and the sponsors that pay the salaries of the players. To provide value for their investment, sponsors and broadcasters expect players to generate the financial returns that are built into the NZRFU's commercial agreements. Without the elite players, there would be little tangible value for the sponsors and broadcasters. Yet, elite players would not be paid without the revenue generated if their efforts on the field did not promote sponsor brands.

In managing its income from the elite game, the NZRFU sets its operation and playing programme around the commercial requirement of sponsors and broadcasters (Gray, 2004a: C22). Players are required to carry out the NZRFU's commercial obligations. An example was the instance of All Blacks and the All Black manager photographed using mobile phones for a media promotion of Telecom's (a sponsor of the Super 12 in New Zealand) launch of a multiple text messaging function in 2002 (Dann, 2002: E1). Failure to carry out obligations such as this jeopardises the union's relationship with sponsors and broadcasters and raises questions about the player's commitment to the professional game. Before player contracts became a feature of the game, conflict between player commitments and those of the NZRFU was common. Sportswear manufacturer and NZRFU sponsor, Mizuno, considered taking legal action against the NZRFU when in 1995 three All Blacks players with relationships with competing brand, Nike, sought to wear Nike boots for test matches (Wilson & Palenski, 2000: 89) (Jones, 1998: 136) (Heeringa, 1997: *ibid*). Now to safeguard their income, All Blacks are asked to contractually abide the commercial relationships agreed to by the NZRFU. Consequently the All Blacks are corporate employees as well as national representatives.

The involvement of sponsors and broadcasters in underwriting professional rugby has diluted the game's *raison d'être*. Elite rugby now has a dual role. A winning performance on the field helps sponsors succeed off the field because their brands are linked to and leveraged from, a successful team. These brands now extend from beer and sporting apparel to telephones, breakfast cereals, cars and credit cards. Team sponsorships also open the way for NZRFU sponsors to negotiate lucrative individual agreements with leading players. For example, shortly after the NZRFU confirmed its contract with Adidas, the sportswear company announced it had signed a contract with its high profile All Black,

Jonah Lomu, rumoured to be worth \$NZ 10 million over two years to the player. The company's New Zealand managing director highlighted the commercial importance for Adidas that Lomu remained an All Black during the duration of its relationship with him (Unattributed, 1999d: 22).<sup>64</sup> The global profile of Adidas would be enhanced if Lomu continued playing in high profile international matches. Leading players that have retired from the game are also able to commercialise their profile with the game. Print, radio and television advertising campaigns link former All Blacks, including some that played in the amateur era, with products and services as diverse as automobile tyres, auto electrical services, maritime safety, milk and financial debentures. A select few also take advantage of their high profile in rugby to engage in numerous speaking engagements. The commercial nature of these relationships generates mixed messages about why leading players play the game and why it is critical for a team to win (Russell, 1998: 24). Technology and market processes that are transforming rugby are the same as those driving globalisation of the global economy (Easton, 1998). No longer is rugby simply a battle or competition between two teams representing two countries, regions or provinces; the professional game is also part of a bigger commercial battle led by corporate organisations that expect to leverage market share and/or brand recognition from their sponsorship; leading players can also leverage a post-rugby career from their high profile in the game. As well as representing fans or supporters, the team is also representing its sponsors. And rather than having an emotional or traditional attachment to a team, sponsors have a measurable financial investment to meet. Sponsors want not just the satisfaction of winning a match, but also the satisfaction of exploiting their association with a winning team.

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<sup>64</sup> The negotiation of the contract with Lomu followed the end of his relationship with Reebok earlier in 1999 (Unattributed, 1999d: 22). Any value in extending this previous agreement was affected by the NZRFU signing with Adidas. This committed the All Blacks to wearing Adidas-branded sportswear. It would have been virtually impossible for Lomu's manager to re-negotiate a new relationship with Reebok on these grounds.

In light of the All Blacks' surprise loss to France in the 1999 Rugby World Cup, the corporate ambitions of sponsors, broadcasters and the NZRFU appeared to be excessive. A decision to paint the fuselage of an Air New Zealand jumbo jet with larger-than-life images of the All Black front row was the most obvious demonstration of corporate ambition overtaking the on-field ability and aspirations of the team (Thomas, 2003: 14 - 15). A 'corporate way of doing things' that had attempted to ensure the players were provided with the resources required to succeed, was seen to have weakened the players' on-field ability to change tactics and make decisions. In this regard, the corporate background and approach of the All Blacks coach, John Hart, was publicly vilified (Carnachan, 2003: 64).

Corporate imperatives generate confusion about why the All Blacks need to win and sully their national mystique and integrity. If on-field performances are poor, the sponsor may decide to look elsewhere for more profitable returns or improved commercial value. With the introduction of professional rugby, the NZRFU and its players are literally playing and competing to maintain (and grow) their sponsorship and broadcasting income streams. No longer is playing elite rugby solely about representing a country or a nation or respecting a winning tradition. It is primarily about ensuring that a positive profile is provided for sponsors and that broadcasters can maximise viewer interest. Only with the assurance that sponsors and broadcasters are satisfied can the professional game survive. With the maturing of the professional era, it is these groups that effectively own the professional game.

## Conclusion

In direct contrast to the tradition for rugby to be enjoyed as a nationally shared televisual experience, viewing the national game live on television became restricted to those who could afford it. This was inconsistent with the status of rugby as New Zealand's national game and as an exemplar of the country's egalitarian spirit. Incumbent within the broadcast rights sold by the SANZAR unions was the right for News Corp to on-sell these around the world to whomsoever it wished, in its attempt to make a profit from the deal. The implication of this was not fully explained by the NZRFU and as a consequence, not well understood within New Zealand. Under threat of sale by its government shareholder and hampered by a political requirement to return a profit, TVNZ, the traditional broadcaster of free-to-air rugby in New Zealand, was unable to compete for News Corp's sale of broadcast rights. Instead, News Corp sold New Zealand rights to pay-TV network, Sky TV, thereby restricting viewership to Sky TV's subscriber service. The pay-TV network needed the SANZAR competitions - and rights to the coverage of other international sports - to build its subscriber base. Despite having played a significant role in promoting the national game since the advent of live televisual sport, TVNZ could now only broadcast rugby in circumstances where it was able to purchase rights not otherwise within the jurisdiction of the SANZAR unions. For the first time, offshore interests held the broadcast rights to the majority of New Zealand rugby.

For the NZRFU, the SANZAR deal with News Corp broadened its commercial reach. As a consequence of matches being broadcast to audiences around the world, the NZRFU was able to attract new revenue streams by negotiating with major corporate sponsors that wanted to leverage their brands from international television coverage. Effectively these sponsors were exploiting the longstanding

traditions and perceived values built up by New Zealand teams during a century of amateur rugby. However, to heighten the entertainment value of the game and to entice new fans (to generate larger television audiences for matches thereby making the matches more valuable to broadcasters and sponsors), the structure and operation of rugby was altered. To quicken the pace of the game, the SANZAR unions changed strict player substitution rules to allow the replacement of tiring players. New scoring incentives were introduced to the competitions to heighten drama and entertainment value. Despite the practical difficulties experienced when playing rugby in damp evening conditions, matches were more regularly scheduled to begin at 7.35 pm. This decision was made by the NZRFU to maximise primetime television audiences for audiences in overseas markets to which News Corp had on-sold broadcast rights.

To provide the global exposure required by sponsors and broadcasters, the NZRFU now hosts more one-off, high-value tests during each season. These have supplanted costly but popular extensive domestic tours by visiting teams that included matches against many of New Zealand's provincial unions. Concerns held by coaches about player burnout from more intensely competitive matches have been mitigated by the rise of player agents and managers and the introduction of a players' union that the NZRFU agreed to fund. The player agents are now an acknowledged part of contractual negotiations between the players and the NZRFU, New Zealand's monopoly employer of professional rugby players. To ensure that key players are free of injury and at their peak for the most important matches, All Black selectors regularly choose second tier and up and coming players in their place, for matches the team is certain to win. This extends the size of the current All Black squad but dilutes the status of selection for the national team. The squad is now part of an elite group of 150 players - including the national Sevens and NZ Maori teams and the Super 12 squads - paid by the NZRFU to earn the revenue the NZRFU requires to administer the

game. However, the vast majority of rugby players still play the game on an amateur basis at the grassroots or community level of the game.

Revenue earned from corporate media and sponsors has been the catalyst for a major revamp of the administration of rugby in New Zealand. The NZRFU is now a significant earner of US currency and engages in financial hedging to maintain the value of its income. It has been thrust into the complex corporate sport/media nexus that is controlled by global conglomerates with resolute financial objectives that overrule the cultural traditions of sporting. To maintain negotiating parity with these corporates requires that the NZRFU's business management, planning and administration structures match the skills and dedication of its players. This is a commercial imperative that the NZRFU shares with other professional sports, rugby unions and the IRB. These too must generate sustainable revenue streams to fund and manage their teams and development programmes. But those of the NZRFU's peers that are based in larger economies particularly France, England and Australia, now have a bigger base from which to finance development of their teams. The capacity of bigger economies to fund development programmes, facilities, coaching, player support and administration are reflected in the strength of their national teams. However, while rugby remains New Zealand's national game, the NZRFU continues to have the advantage of capitalising on the game's commensurate domestic profile.

The impact of rugby nations with large financial resources contrasts with the lack of changes in the way the international game has been administered. The tradition whereby national teams did not share in the revenue earned from matches they played while on tour now disadvantages teams from smaller economies. Home and away series in which the All Blacks compete earn their opposition unions far more than is earned by the NZRFU due to New Zealand's

smaller venues and population. Because a proposal for equalisation of revenue among hosts and visitors would reduce revenues currently earned by larger host unions, the NZRFU has few major allies in their plan to negotiate for a larger share of revenue earned from the exploits of their teams. Larger unions will continue to benefit disproportionately, despite the certainty that this will widen growing disparity between bigger unions and others. The negotiation of tours and one-off tests with its peers is now a competitive battlefield for the NZRFU.

Strong commercial interest in the All Blacks is the NZRFU's major advantage in the professional era. However, this places the control of the professional game in the hands of sponsors and broadcasters. Against the background of a small domestic economy the NZRFU must ensure that its elite teams are attractive to a global audience. Winning is no longer simply a matter of national pride; it is critical for New Zealand rugby to remain commercially viable. The NZRFU's need for revenue risks the over-commercialisation of rugby. Sponsors and broadcasters provide the money that underwrites the game. Professional players by implication are paid and indirectly owned by these groups. Therefore, meeting the needs of the game's commercial owners is paramount. However, the consequence is dilution of the national traditions of rugby through the commercial compromises required. Clearly the value of a century of tradition and pride is of cultural and commercial importance. Nonetheless, the difference between the amateur and the professional is increasingly marked. Contemporary developments within the game are being propelled by commercial imperatives that have little to do with traditions of provincial or national representation. Sponsorships and commercialisation combine to sully the national mystique and iconic status of the All Blacks brand. However, these are the inherent factors of New Zealand and All Black rugby that make it so commercially attractive.

## Chapter Four:

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### **New Zealand Rugby Becomes Socially Divided**

The commercial success of the Super 12 reinforced the decision of the SANZAR unions to adopt a professional rugby structure. This reduced the prospect that rugby league would draw the best rugby players away from the code. However, professional rugby union ushered in other pressures. Because the Super 12 and the Tri-Nations dominated the early part of the rugby calendar, few elite players were able to play club rugby, the social base of the game. Super 12 franchises also began to dominate provincial rugby in a way that affected the financial viability of smaller unions. Professional structures encouraged the development and protection of income streams that led to strong unions becoming stronger at the expense of unions with fewer resources. The adoption of professionalism for the global game also provided the opportunity for overseas clubs, teams and businesses to attract players to their competitions. An international market place for players and coaches would have adverse local affects. The high international regard for New Zealand players and their training techniques ensured that there would be strong demand for their skills. As well as competing for players and coaches domestically, provincial unions and clubs experienced the loss of their best players overseas.

Within the first five years of professional rugby, a clear division between the haves and have-nots had become obvious. This could be seen at all levels of the game and threatened the pre-eminent position of rugby within New Zealand. The identity and proud history of many smaller communities corresponded with the growth of rugby. However, these communities were unable to resist the commercial pressures that drew leading players away. This has had important

implications for the representative structure of provincial rugby and for the survival of clubs. It has also placed pressure on local councils that recognise the cultural and economic value of retaining successful sports teams, sports people and competitions in their regions.

### **Super 12 and Provincial Rugby: Uneven Development**

The introduction of the Super 12 competition has been a major step forward for some areas of the game in New Zealand, but a difficult challenge for others. The competition forms part of the agreement signed with News Corp to generate the money necessary to retain top players. To grow the audience for rugby by encouraging non-traditional fans such as women, families and teenagers to rugby, the emphasis has been placed on pre-match and halftime entertainment. The introduction of bonus points to encourage try-scoring and the loosening of replacement laws allowing tiring players to be replaced, have facilitated fast-paced and competitive rugby.

The NZRFU chose a franchise structure of five Super 12 teams spanning the country and hosted by five leading NPC unions. Each franchise is identified by a specific marketing brand synonymous with the character of its host union. The NZRFU supplies each of the five centres with teams and coaches and each centre appoints a governing board and its own management teams. The NZRFU retains end-of-season profits generated from a combination of gate receipts, team and venue sponsorships, merchandising and catering income. This is distributed among the unions represented in each franchise's player catchment area) on the basis of registered player numbers in each union). To ensure the best players from across the country are included in the Super 12, a draft system is used to allow excess players from host unions to temporarily transfer to other unions

with fewer resources. As a consequence, teams are not strictly representative of the provinces represented in each Super 12 region.

New Zealand unions have not benefited equally from the Super 12. Generally, the Wellington Hurricanes and the Canterbury Crusaders with strong local support have been able to make big payouts to their constituent unions. In the first season, the Wellington union earned a profit of \$NZ 900,000 from its Super 12 Hurricanes franchise, distributing this among its unions. One of its smaller unions, Poverty Bay, received a dividend of \$NZ 20,000. Prior to the advent of the Super 12, this would never have been realised (Gilson, Pratt, Roberts & Weymes, 2001: 283). Yet, if a Super 12 franchise is not financially successful due to a poor season for its team and/or poor support from spectators at matches, it has far less to distribute and its constituent unions suffer financially. For example, the Hamilton-based Waikato Chiefs has struggled commercially and this has meant that their NPC unions have fewer resources (Hope, 2002: 250) (Romanos, 2002: 165). The subsequent disparity in revenue earned across the country is seeing stronger regions such as Canterbury, winner of four Super 12 titles, benefit disproportionately.

At NPC level, there is a growing financial divide between the provinces. The five NPC teams based at each of the centres hosting a Super 12 franchise, Wellington, Christchurch, Dunedin, Hamilton and Auckland, now consistently out-perform all other teams in the NPC First Division. Their respective unions each have a number of Super 12 players that are well paid by the NZRFU. Each is better able to pay their NPC-only players during the domestic season, further strengthening the NPC squads of the strongest unions. Players, aware that selection in Super 12 teams is a precursor to selection for higher honours, are encouraged to transfer to the franchise centres. Once selected for a Super 12 squad and paid a salary by the NZRFU (the standard payment is \$NZ 65,000),

players safeguard their earnings by playing for the Super 12 centre's respective NPC team. Invariably, the Super 12 host union is financially stronger than the smaller union from where the player has transferred (Unattributed, 2001e: D5). The smaller union is unable to promise the player the benefits of a Super 12 contract and the national profile this provides. However, Super 12 players who from one year to the next miss out on securing a Super 12 contract, deal with an abrupt end to their status as a professional rugby player and the likelihood that higher honours will be more difficult to attain. This has major implications for each union's management of player aspirations from season to season.<sup>65</sup>

Because Super 12 players expect reimbursement, non-Super 12 players anticipate at least partial reimbursement from their NPC union; their exertions also are earning revenue for their union. Some players earn unions a transfer fee when they move from one union to another. But as large metropolitan unions cover salary demands by generating sponsorship income with corporate businesses and head offices, teams in less-populous regions are struggling. With players favouring unions that can deliver financial rewards, other provincial unions boasting a long history of well-known All Blacks are becoming little more than feeders for the bigger centres. This also influences competition for the Ranfurly Shield; the Shield has only been outside the five Super 12 NPC bases for two short periods in the professional era.<sup>66</sup> Despite the importance of the Shield as a

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<sup>65</sup> In one example, Hurricanes Super 12 and Wellington NPC player, Paul Steinmetz, withdrew his services from his NPC team partway through the 2001 season, protesting that his employment contract had materially changed. The Hurricanes' management had contracted an All Black player from Otago into the Hurricanes squad for the 2002 season. Steinmetz feared he would lose his place in the squad and subsequently, his contract (Unattributed, 2001f: B6). The situation was only resolved when the Otago Highlanders Super 12 team agreed to contract Steinmetz to play for the Highlanders in the position its transferred All Black had vacated to move to Wellington. Steinmetz would however, still continue playing for the Wellington NPC team (Unattributed, 2001g).

<sup>66</sup> During the 1996 season, Taranaki beat an under-strength Auckland team (Auckland's leading players were with the All Black squad on tour in South Africa) and held the Shield for one challenge during the 1996 season, before losing it to the Waikato NPC team two weeks later (Ash,

traditional arbiter of provincial pride, fewer teams have a realistic chance of winning it and this is affecting interest in matches where the Shield is at stake (Rattue, 2002a: B8).

Playing strength is now so deep in Super 12 centres that it is common for all five teams to loan excess players to less fortunate regions during the NPC. For example, 67 Canterbury players appeared in NPC matches during the 2001 season. Thirty-eight of these played for Canterbury, while another 29 played for either South Canterbury, Mid Canterbury, West Coast, Marlborough, Nelson Bays, Southland and Bay of Plenty (Romanos, 2002: 151). Two other First Division teams, North Harbour and Taranaki, although well represented in the Super 12 teams that encompass their region, have lost players to other First Division NPC teams, in particular Canterbury, Waikato and Otago. North Harbour and Taranaki unions are thereby weakened, as are their local club competitions.<sup>67</sup> To boost competitiveness, these unions draw players from nearby second division teams and from the rugby ranks of Pacific Island nations, Tonga, Fiji and Samoa. This serves to replace players who have transferred to stronger teams. In contrast, the three other remaining First Division teams (Northland, Bay of Plenty and Southland) consistently struggle to avoid relegation to the Second Division. These unions also draw players from other regions including excess players from stronger provinces (plus the best players

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2003: D2). In 2004, the Bay of Plenty team also beat an under-strength Auckland team in the early part of the NPC season (while it rested its Super 12 players) to win the Ranfurly Shield. After successfully defending the Shield for one match (against Waikato), Bay of Plenty was beaten in its next home match by Canterbury. It fielded 13 current and former All Blacks in its line-up, while just one former All Black featured in the Bay of Plenty team (Unattributed, 2004a: D10).

<sup>67</sup> To counter the loss of players from its club competition, the Taranaki union's provincial coaching team encourages its NPC (and Super 12) players to participate in the club competition at every opportunity. This and the amalgamation of local clubs have improved the intensity and quality of the local competition. As a consequence, the physical nature of Taranaki club matches is said to rival that of NPC matches (Devlin & Penn, 2004).

from neighbouring second division teams). The departure of players from the NPC second division effectively weakens that competition.

For less successful and financially weaker teams, relegation from one division to the next lower division reduces their prospects for survival. If a poor-performing team is relegated to the Second Division, key players leave to join a First Division union. In turn, local fan and sponsor support is affected; matches against second division teams are less of a drawcard than against First Division teams with top players. Consequently, there is less money from sponsors to cover ground maintenance, player development squads and player payments. Players are also less likely to be picked for national honours. A newspaper article during November 2002 entitled 'Lee: second division is Siberia', summarised the dilemma Chiefs Super 12 and Counties-Manukau NPC player, Danny Lee, faced when his provincial team was demoted from the first to the second division (Johnstone, 2002b: B4).<sup>68</sup> Lee was one of a handful of players that left his Counties-Manukau team when it was demoted at the end of the 2001 NPC season. He successfully applied to join the First Division Otago NPC team for the 2002 season despite knowing he would have to compete with the All Black incumbent halfback, Byron Kelleher, for NPC selection and a Super 12 salary. It was a decision that paid off. As a consequence of the profile he gained with the Otago Super 12 and NPC teams, he was selected for the 2002 end-of-year All Black tour to the UK. The acuity of Lee's decision was demonstrated by the selection of just one NPC second division player out of the 140 Super 12 players chosen for the 2003 season (Johnstone, 2002b: *ibid*). Further, All Black coach, John Mitchell confirmed that player performance during the Super 12 season

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<sup>68</sup> The Counties-Manukau union, relegated at the end of the 2001 First Division competition after losing leading players to unions hosting Super 12 franchises - including its best-known player, Jonah Lomu - risked insolvency and had to quickly consolidate finances and player talent before seriously considering a return to First Division status (Romanos, 2002: 154) (Unattributed, 2002h).

would determine selection for the All Black 2003 World Cup squad (Rattue, 2003a: A3).

The depth of players at the five main unions was further demonstrated during the 2003 NPC season. When the NZRFU excluded the 30-member All Black squad chosen for the 2003 Rugby World Cup from playing in the NPC, it was anticipated matches would lose appeal. With leading NPC teams losing as many as ten to fourteen players, an expectation that second tier First Division teams, with few All Blacks among them, would be more competitive was proven accurate. The withdrawal of the All Blacks evened the competition and allowed traditionally weaker teams such as Bay of Plenty and Southland to upset traditionally stronger teams. Following many surprise results in a more even competition, rugby journalists considered the 2003 NPC season as one of the closest and most exciting ever (Verdon, 2003d: 43). Nevertheless, the playing strength in the top unions still prevailed. Once again as the season neared its end, all four First Division NPC semi-finalists were hosts of Super 12 franchises (Krishnamurthi, 2003: 1).<sup>69</sup>

Since the introduction of the Super 12, few NPC teams truly represent their region. Team managements actively draw good players from one union to another to improve their on-field results and retain sponsorships and the interest of fans; players are attracted to professional contracts that are available for playing in the Super 12 competition. For the editors of the 2001 Rugby Almanack, this trend was undermining the representative nature of NPC rugby. They argued that the NPC was now meaningless as a measure of provincial strength. "An NPC team used to reflect the standard of club rugby within its

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<sup>69</sup> Canterbury, the team most affected by the loss of All Blacks with 14 players in the Rugby World Cup squad, was the team to miss out; it also lost the Ranfurly Shield, in the last round-robin game, to Auckland; a team missing as many as ten players in the All Black squad (Krishnamurthi, 2003: *ibid*).

union. This no longer applies as the use of transfer and loan players from other unions strengthen teams. During 2000 there were 111 players in the lower two NPC divisions who had played their club rugby elsewhere. Success in the NPC is no longer a reflection of a strong, healthy club competition but a reflection of the most active unions making maximum use of spare talent from a metropolitan union. Rural club players, disappointed in being omitted from their NPC squad due to a loan player being preferred, head off overseas, which further reduces player numbers and club teams" (Akers & Miller, 2001: 1).

In acknowledgement of the imbalances apparent within the NPC, the NZRFU has promised to refine the competition (Mirams, 2003a: B2). Yet, financial problems for some unions are already extreme. The Southland union struggles to retain its place in the NPC First Division. Although it budgeted for a 20-member player base for the 2003 competition, it struggled to finance player contract extensions beyond that period. The player wage bill for Southland was \$NZ 456,000 for the 2002 season, but it received just \$NZ 1,165 as its share of the Super 12 dividend from its Highlanders Super 12 franchise (Johnstone, 2003a: B4). In contrast, third division South Canterbury received \$NZ 230,000 as its share of profits from the Crusaders Super 12 franchise. Southland's expenses for the 2002 season were \$NZ 2.1 million and this was mostly covered locally. By contrast, the \$NZ 6 million value placed on the Canterbury NPC team included players who were mostly paid through NZRFU contracts as members of the union's Super 12 franchise (Johnstone, 2003a: *ibid*).

### **Nurturing Rugby and Financial Survival**

The commercial focus of the professional era allows major rugby matches to become lucrative events for a city or region. Hosting a NPC team or a Super 12 franchise and/or Super 12 matches (and major test matches) contributes to a

region's economy and its identity. Even a one-off Super 12 game can significantly impact upon the fortunes of a city or region (Alexander, 2001: *ibid*).<sup>70</sup> Incremental income earned by Super 12 host unions can underwrite major investment in facilities, player development and administration. Yet the potential for building extra revenue varies from region to region. Metropolitan city unions have a greater opportunity to leverage from larger local government resources to support the development of new facilities that can draw bigger crowds. The inclusion of high profile players within a team expected to win on the field attracts the sponsorship, corporate and customer support necessary for reinvestment. However, the success in bigger centres denies similar revenue to smaller towns and smaller unions.

An article published in 1998 by Chris Laidlaw identified the widening gap between leading teams and the rest. The egalitarianism within New Zealand rugby, particularly during the years of 1950 through to the 1980s, was clearly long gone argued Laidlaw. In the new professional era, there were "two classes of participant: those with the resources and those without" (Laidlaw, 1998: A13). Notably, cities with a Super 12 base are invariably able to build revenue for themselves within their region. Similar opportunities do not exist for provincial centres such as Wanganui, Te Kuiti and Ruatoria, that host Second or Third Division teams. At best, these regions are feeder unions for First Division teams. As a consequence, weaker unions are losing their identity and are sliding behind the more financially sound regions. They earn less revenue and have fewer resources to invest in facilities, management and skill development programmes for young players. Their competitiveness becomes compromised by conditions over which they have little genuine control.

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<sup>70</sup> Hosting a Super 12 match during the 2001 season between the Hurricanes and the Highlanders was said to generate an additional \$NZ 1 million for the Napier economy (Alexander, 2001: *ibid*).

The difference between the haves and have-nots is clearly demonstrated on the field. For example, the East Coast NPC team (second division finalists during the 2001 season) travelled from Ruatoria to Christchurch to play an early 2002 season Ranfurly Shield challenge against holders, Canterbury (Knight, 2004: 65). The result was a forgone conclusion; East Coast was beaten before running on to the field, so meagre were its resources compared to Canterbury.<sup>71</sup> Before the match, the team's coach confirmed his players, all amateurs, could only practice once a week and none had ever played under lights, either at their home venue in Ruatoria nor anywhere else in the country (Gifford, 2002: B3). In contrast, lights had long been installed at the Christchurch venue, Jade Stadium. Operating within a Super 12 franchise, Canterbury's players (including 14 members of the current All Black squad) were either semi-professionals or full-time rugby players. Canterbury's Super 12 franchise, drawn almost entirely from Canterbury's NPC team, had just won the Super 12 for the fourth time (Schumacher, 2002: F1).<sup>72</sup> But despite the Canterbury team fielding a team missing 15 players (either on All Black duty or recovering from injury after the Super 12 season), East Coast was comprehensively beaten, 51-6 (Johnstone, 2002c: B3). A similar result occurred later in the NPC season when a full-strength Canterbury team comprehensively beat fellow First Division team, North Harbour, 65-10. For North Harbour's chief executive, Doug Rollerson, a former All Black of the 1970s, the result exemplified the negative impact of the Super 12 upon provincial rugby. He noted that: "We get our NPC players

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<sup>71</sup> Notably, the match between East Coast and Canterbury evoked a famous match played almost a generation earlier, when in 1973, Marlborough surprised by winning the Ranfurly Shield from the far stronger Canterbury team (Palenski, 1992: 75). However, almost 30 years later, there would be no fairy-tale or surprise result for the second division finalists from Ruatoria.

<sup>72</sup> The Crusaders Super 12 franchise had achieved a record profit of \$NZ 2.2 million, split among the unions within its catchment area. East Coast is a part of the Chiefs Super 12 franchise that, due to poor on-field performance, struggled to return any revenue to its unions (Schumacher, 2002: *ibid*).

together at the end of July but the Super 12 bases have theirs' together all year. That's the imbalance and that's been caused by the Super 12" (Wallace, 2002a).

The greater a union's resources, the more important is winning to retain comparative advantage. Increased commitments to player and facility development require further sponsorship and income to continue that development. Despite the dominance of the Auckland and Canterbury NPC teams, both unions have sought to protect their incomes in the face of appeals from far less affluent unions. During the 2001 NPC season, the Auckland union was criticised when it initially refused to allow two players it had loaned for the NPC season to First Division team, Bay of Plenty, to take the field against Auckland. With the match just a week away, the union requested that its loan players be removed from the Bay team. Auckland's players successfully lobbied their union's management to have the decision over-turned. Although losing to Auckland in the match, the Bay team was allowed to field a full-strength side including the two Auckland loan players (Rattue, 2001a: C3).<sup>73</sup> Also during the 2001 season, the Canterbury union adopted a controversial measure that reflected the perceived commercial risk it faced. A Team Canterbury fund of \$NZ 500,000 had been raised from local businesses to attract and retain players. However, it was considered that any loss of matches would undermine this fund and place future financial support of this nature in doubt (Martin, 2001). To mitigate the risk of losing games, Canterbury's NPC coaches confirmed that they would not announce the team's starting line-up until just hours before each game. The coaches believed this would prevent coaches of competing teams

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<sup>73</sup> Although the Bay team had agreed on this condition when negotiating the loan, it asked the Auckland union to reconsider as the match between the two teams drew near, highlighting the issue in the media. The Auckland union subsequently announced that it would review its policy of loaning players to teams it would face in the NPC. Instead it would consider only loaning players to Second and Third Division teams as it wouldn't face these in the NPC (Gray, 2001a: B6) (Unattributed, 2001h).

from devising tactics to counter their key players (Smith, 2001: 35). The Canterbury union was prepared to accept public criticism of its unsporting attempts to reduce the risk of losing matches (despite its dominance in the NPC). As a consequence, the NZRFU introduced regulations that forced teams to announce full team lists 48 hours prior to the start of matches (Saunokonoko, 2001).<sup>74</sup>

It is not solely First Division teams such as Auckland and Canterbury that are willing to take extreme measures to protect their income. Also during the same 2001 season, the leading second division union, Hawkes Bay, sought to prevent two players it had loaned to East Coast from playing in the divisional final between the two teams (Knight, 2004: *ibid*). The difference between the two teams was again a reminder of the growing void between the haves and have-nots of provincial rugby. Whereas the Hawkes Bay province could draw on 6,500 rugby players, East Coast had only 500 registered rugby players. However, East Coast had come within just six points of beating Hawkes Bay in the opening round of the competition (Rattue, 2001b: B13). Following a public and media outcry that criticised the Hawkes Bay union's poor sportsmanship, the NZRFU forced the union to allow the loan players to take the field. In a prepared statement released on NZRFU letterhead, the Hawkes Bay union acknowledged the final between the two teams had risked being "turned into a farce" without the late change of heart (Gray, 2001b: B6).<sup>75</sup>

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<sup>74</sup> The new regulation reflected similar rules used in Australia's National Rugby League (NRL) matches. There, failure to confirm teams on time and late changes to squads was punishable by fines. This also ensured that the proper promotion of matches, including printing of match programmes and the preview of matches by media, could continue without interruption (Saunokonoko, 2001: *ibid*).

<sup>75</sup> The match was won by Hawke's Bay over East Coast, 30 - 27.

The division between the 'haves' and 'have nots' among NPC unions is also a feature of schoolboy rugby. An inter-college regional First XV competition that has progressed in recent years to become a national competition among top schools now attracts as many as 3,000 spectators to matches (Worsley, 2003a: C21). But the national competition has become an opportunity for coaches of school teams to attract players from rival teams. This was an unforeseen consequence of changes in government policy that encouraged schools to become rivals for the best teachers and the best students (including the best athletes and rugby players). Skilled coaches are also in high demand. For some schools, the reputation of a strong sports curriculum and sporting performance is as important in attracting new students as is staff teaching skills and academic record. For example, automatic relegation of a decile ten school's First XV rugby team from the prestigious 1A Auckland Schools Competition to the lower B grade (when the school finished at the foot of the ladder at the end of the 2003 season), was met by a legal challenge to the relegation rules by the school (Worsley, 2003b: C22). Although the challenge proved unsuccessful, it highlighted the extent a school was willing to go to retain its sporting reputation (Unattributed, 2003f: C21). It wanted to avoid a situation whereby a poor rugby record would discourage ambitious students wanting to further their rugby development from enrolling at the school.

The Otago Principals' Association in 1998 addressed poaching of promising rugby players among rival Otago schools. The Association argued that schools could not actively pursue a player enrolled at another school, ostensibly to bolster one of its own sports teams (Clarke, 2001: A7). Alleged poaching of promising young rugby players within Auckland's schools has led to the introduction of similar rules. During 1997 it was agreed by the Auckland Secondary Schools Heads Association that schools were forbidden from formal or informal approaches to students or by offering inducements that would

encourage students to swap schools. The rules come with stiff penalties; if school teams were found guilty, they would be dropped from competitions (Dixon, 2000: D2). Nevertheless, anti-poaching bylaws written into the student enrolment rules continue to be tested (Worsley, 2003c). Stronger schools stack their senior teams with students hoping to play professionally. This creates an imbalance in relative playing strength that is widening rapidly in some regions. Currently, only half of the 13 team premier Auckland rugby schools First XV competition have a realistic chance of making the top three in any given year, leading lesser schools to contemplate withdrawing from the competition altogether (Dixon, *ibid*). Ironically, the concentration of talent among fewer schools means that fewer students are playing rugby at this level and more are giving the game away and/or playing other competitive team sports such as soccer.

### **Local Communities and the Funding of Rugby Facilities**

Wealthy rugby centres are well placed to develop rugby in their region. For example, when the Canterbury Crusaders franchise completed the 2002 season unbeaten to win its fourth Super 12 title, profits reached \$NZ 2.2 million. This overshadowed profits achieved during three previous seasons. Surpluses of slightly more than \$NZ 500,000 achieved for the 1998 and 1999 seasons were followed by \$NZ 630,000 during the 2000 season and \$NZ 400,000 during 2001 (Unattributed, 2002i). Profits distributed in proportion to numbers of registered players within each of the Crusaders' franchise partners benefited second and third division unions. The amounts received ranged from substantial five-figure sums for the third division West Coast and Buller unions to \$NZ 200,000 for bigger unions such as South Canterbury (Schumacher, 2002: *ibid*).<sup>76</sup> The

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<sup>76</sup> Approximately 50% of the payout was delivered to the Canterbury union (Schumacher, 2002: *ibid*).

Canterbury union's profits part-funded major renovations at its home ground. Known previously as Lancaster Park, the venue was renamed Jade Stadium in May 1998 after the signing of a deal with local software developer, Jade Software Corporation, at a cost of \$NZ 4 million over ten years (Obel, 2001: 179). Returns from this agreement combined with a contribution of \$NZ 4 million and a \$NZ 35 million loan from the Christchurch City Council facilitated a major Jade Stadium re-development. The project was designed to significantly increase corporate box seating and facilities (Obel, *ibid*). This allowed projected revenues to cover the cost of the overall development.<sup>77</sup> The redevelopment of Jade Stadium reflects similar projects undertaken throughout New Zealand since 1996. A common feature is that local government bodies have funded or were requested to underwrite each project. In other words, the propensity for rugby unions to require major new facilities has placed greater pressure on local government to support major capital projects. This has raised the question as to whether local body rates should be used for sports venues that in turn provide greater revenue for professional sports franchises or operators.

Some local body councils have welcomed the opportunity to be involved in projects that will make their city more attractive. Others however, have despaired at the significant amount of money being requested and the inherent political controversies such a project may bring. For example, the Auckland Regional Council (ARC), the local body mandated to manage the entire Auckland region, supported a new \$NZ 21 million upgrade of Mt Smart Stadium (aka Ericsson Stadium), a facility that it owns. This financial support is drawn from ratepayers across the Auckland region, although the stadium primarily serves the area surrounding Auckland's light-industrial district in Penrose. The

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<sup>77</sup> With a fall in revenue during 2003 and faced with the prospect of making cost savings of 25%, Jade Software placed corporate sponsorships - such as that of Jade Stadium - under review, emphasising the antecedent commercial risk that had been entered into by the union's Stadium upgrade (Hutching, 2003: 11).

ARC leases the stadium to Cullen Sports, a business that owns the New Zealand Warriors rugby league team (Jessup, 2002a: A8). The upgrade would provide a home base for the Warriors and its management for 15 years. Lease income from the stadium upgrade, including revenue from more corporate boxes and a new stand, would contribute to funding the upgrade (Withiel, 2003: 1) (Gardiner, 2003: A1). However, decisions confirming funding of the stadium's development were politically controversial. The announcement of the ARC support of the Ericsson Stadium came two months before it would send out regional rates bills to 450,000 Auckland regional property owners for the first time.

The Ericsson Stadium upgrade also displaced other requests for financial support, particularly from North Shore City Council. North Shore City wanted additional funding from the ARC to complete its North Harbour Stadium. Despite opening in 1997, the Stadium remains only partly completed and requires significant financial support from North Shore City ratepayers to service loans and fund ongoing operational expenses (Thompson, 2003: A8) (Knight, 2002c: *ibid*).<sup>78</sup> In response to the ARC's decision, a councillor for North Shore City Council proposed that North Shore City should secede from the regional council. He did not want a modernised Ericsson Stadium to compete with a North Harbour Stadium that was struggling to host regular events (Willis, 2002). Andrew Williams stated that, "to spend \$21 million on a new stand at Ericsson will really only benefit a private rugby league club, the Warriors, and not the vast majority of Aucklanders of all sporting codes; the best thing they could do with Ericsson is put a bulldozer through it, sell off the valuable land ... and

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<sup>78</sup> As part of a 1997 refinancing deal for the North Harbour Stadium, North Shore City Council made interest free loans to the Stadium's owner, the North Shore Domain and North Harbour Stadium Trust. These were \$NZ 5.98 million in 2000 and \$NZ 6.9 million in 2002, due for repayment by 2007 and 2012. It is planned that the loans will be repaid from proceeds of sales of seats and lounges at the stadium and from the sale of naming rights. However, the Council is concerned it will have to advance the total loan amount due because the Trust is unable to generate the revenue required to repay the loans. The Council also contributes to ongoing operating costs with \$NZ 425,000 budgeted for this purpose during 2003 (Thompson, 2003: *ibid*).

divvy up the money between all the councils in the Auckland region” (Williams, 2002). The ARC loan to Ericsson Stadium also angered national rugby league administrators who wanted funding to help it redevelop Carlaw Park, a traditional home for league for 75 years (Tunnah, 2003: A4). Without the financial support of the ARC, the venue was certain to be earmarked for commercial development.

In Wellington, the prospect that test matches would no longer be held at the slowly deteriorating, traditional rugby venue, Athletic Park, encouraged the Wellington City Council and the Wellington Regional Council to jointly fund development of a new stadium in 1999. Out of an initial cost of \$NZ 121 million, the stadium is almost one-third publicly funded and managed by the Wellington Regional Stadium Trust. Yet its spectator capacity of 35,000 is smaller than that of Athletic Park. The inclusion of corporate seating and function areas catering for 3,500 people demonstrates prevailing commercial imperatives.<sup>79</sup> Revenue from the corporate market recovers the costs of the facility. A quarter of the estimated revenue required to fund the development would come from the sale of membership seating with another \$NZ 55.8 million expected from the sale of naming rights and corporate boxes and corporate seating (Obel, *ibid*). However, ticket prices for major matches have increased to cover rising costs and this restricts attendance to well-off rugby patrons.<sup>80</sup>

Westpac Stadium is financially crucial to the Wellington union and its Super 12 Hurricanes franchise. The Hurricanes’ six home games during the 2001 season achieved a New Zealand Super 12 record for ground attendance with an average of 28,000 people per game. Two of the four matches held at Westpac Stadium

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<sup>79</sup> See [www.westpacstadium.co.nz](http://www.westpacstadium.co.nz)

<sup>80</sup> During the 2000 season, the most expensive tickets to a New Zealand rugby test were sold at Wellington’s new Westpac Stadium (for between \$NZ 60 and \$NZ 110) (Obel, 2001: 180).

were sell-outs although the Hurricanes finished a poor ninth in the competition (Unattributed, 2001i). During the year prior to completion of Westpac Stadium, the Hurricanes had averaged 16,800 people per match; this rose to 27,000 the following year (Johnstone, 2000: B1). However, maintenance costs and the repayment of loans necessitate negotiating venue sponsorships and scheduling a variety of income generating events. Income is earned by leasing the venue for one-off events and/or by sharing in gate takings. Events hosted at Westpac Stadium have ranged from one-day cricket, World Rugby Sevens competitions and matches for the National Soccer League (NSL) team, the Football Kings. The Canterbury Bulldogs National Rugby League team has regularly hired the venue as a more cost-effective alternative to hosting home games in the highly competitive Sydney sports market (Saunokonoko, 2002). Playing one-off games at the venue also helps the Canterbury Bulldogs team build its supporter base and sell its merchandise.

Developing multi-use facilities in new stadium projects such as Westpac Stadium is essential to cover costs. Management of New Plymouth's Rugby Park, the main rugby stadium in Taranaki (and part of the Hurricanes Super 12 franchise), has sought to recoup costs of a major \$ NZ 18 million development project by extending the main ground to cater for summer sports such as cricket (Unattributed, 2003g: C13). Stadium management seeks the commercial support of corporate business from a regional population of 70,000 people, via ground advertising and corporate catering facilities. Yarrows the Bakers, a family-owned bread company in south Taranaki is the venue sponsor, while national electricity company, Genesis Energy, is the principal sponsor of the Taranaki NPC team (Devlin & Quinney, 2002). The inclusion of the corporate seating area remains a significant factor in long term funding for Yarrows Stadium. As well as catering for local business, corporate seating areas help make the stadium an attractive leasing option for other professional sports such as NSL matches.

Clearly the venue must compete for matches with larger metropolitan centres. Re-development of the ground allowed a Hurricanes Super 12 match to be hosted during the 2003 and 2004 seasons (with the balance of the Hurricanes matches hosted at Wellington's Westpac Stadium). Those arrangements came at the expense of the Manawatu NPC team's home stadium in Palmerston North. Manawatu had hosted one Super 12 match each year from 1996 to 2002. A lack of adequate corporate areas, lighting and insufficient covered seating are among the reasons given for leaving subsequently Manawatu out. It had previously attracted between 13,000 and 16,000 fans to each of the Super 12 matches it had hosted (Unattributed, 2003g: *ibid*).<sup>81</sup>

With completion of the new stadium in time for the 2005 season, Palmerston North was again able to host a Super 12 match, but this time at the expense of the Taranaki union. The sole Super 12 match hosted at Yarrows Stadium in the 2004 season, on a damp Friday evening in March, drew a disappointing turnout of 13,500, far less than the 16,000 the Hurricanes' franchise management had needed (Unattributed, 2004c: 1). Consequently, Hurricanes' chairman, Paul Collins, confirmed that the franchise would not host any matches in the province during the 2005 season. Despite six home matches, only one match (at the newly completed Arena Manawatu) would be hosted outside of Wellington. All other matches (other than pre-season matches) were at Wellington's Westpac Stadium where bigger audiences had been anticipated (Kayes, 2004a: D6). This upset the Chairman of the Taranaki Rugby Union, Peter Crawford: "This decision will have an impact on the Hurricanes brand in terms of Taranaki people starting to feel alienated" (Unattributed, 2004c: *ibid*). However, with Taranaki players in

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<sup>81</sup> The first part of a \$NZ 5.5 million Arena Manawatu project started during the 04/05 financial year. In making the venue more competitive for attracting major matches, the project increased the venue's number of covered seats and included installation of better lighting and corporate facilities (Unattributed, 2003g: *ibid*). The initiative of the Manawatu Rugby Union to lead upgrading of the venue was rewarded with confirmation that the British and Irish Lions would play a match there against the Manawatu NPC team during its 2005 tour.

the Hurricanes squad required to relocate to Wellington for the Super 12 season, the union accepts the temporary loss of players from the province's club competition and pre-NPC matches. This is because strong spectator support for the franchise financially benefits the Taranaki union (as a major franchise partner).<sup>82</sup> Failing to host a Hurricanes match in the region risks other sporting codes gaining exposure in rugby's stead. Despite being excluded from hosting a Hurricanes match in 2005 (including pre-season matches), Yarrows Stadium management was able to secure a pre-season trial game for the New Zealand Warriors league team for the first time (Unattributed, 2004d: C15).

In the nearby Waikato province, a desire to upgrade facilities to match those available in other regions helped to generate a twin stadium upgrade project. The stadium project replaced the longstanding Rugby Park venue in Hamilton, home to the Waikato NPC team and to the Waikato Chiefs Super 12 franchise. The demand for corporate hospitality facilities from local businesses led to stadium design modifications. Improvements included a better view of the field and an increase in corporate seating from 14 boxes to 18 (Wellwood, 1999: 1). Funded largely by the Hamilton City Council but with financial support from other councils in the Waikato region, the project was a major contributor to rate rises in Hamilton, particularly after costs ballooned to \$NZ 42 million, up from a budgeted \$NZ 28.3 million (Taylor, 2002: 1).<sup>83</sup> The Waikato Chiefs could not

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<sup>82</sup> Based on registered player numbers at all levels of the game, the Taranaki union receives 12% of the Hurricanes franchise profit - \$NZ 157,038 for the 2004 season. The Wellington union receives the largest share, 31%, equating to \$NZ 405,683 of total franchise profit of \$NZ 1.49 million during 2004. Second and third division unions represented in the franchise, Poverty Bay, East Coast, Manawatu, Wanganui, Wairarapa-Bush, Horowhenua-Kapiti and Hawke's Bay unions share the remainder. East Coast earned the smallest return, \$NZ 26,173 or 2% of profit in 2004, while Hawke's Bay earned \$NZ 235,557 or 18%, significantly more than the first division Taranaki union due to its superior registered player numbers (Unattributed, 2004c: 1).

<sup>83</sup> Corporate boxes with a capacity of 16 people each would cost \$NZ 85,000; those for 20 people would cost \$NZ 100,000 and those hosting up to 26 people would cost \$NZ 120,000. It was anticipated that the sale of corporate boxes would generate \$NZ 1.6 million to help fund the project along with \$NZ 5 million anticipated from individual seat memberships. About 26,000

attract strong attendance levels during the 2000 season and this hindered community support for the stadium development. This intensified local criticism about the management of a stadium trust headed by the Hamilton mayor. Eventually a council working party took over management of the project to ensure it would be completed. Criticism from the working party chairman highlighted an apparent lack of skills within the stadium trust for development of a project that had major commercial implications for the region. "Not only did the mayor and the stadium trust drop the ball (but) they knocked it on; but they could have had more help," said stadium management board chairman, Peter Bos (Taylor, 2002: *ibid*).

To complicate matters, management for the Waikato Chiefs struggled to deal with feuding between two Bay of Plenty provincial centres (Rotorua and Tauranga) within the Super 12 franchise catchment. Both wanted Super 12 matches hosted in their towns. Pressure from Western Bay Finance, sponsor of tiny Tauranga Domain, to attract matches to its venue at the expense of a larger Rotorua venue, undermined fan support (Rattue, 2003b: C18). In turn, Chiefs' management, under pressure to return a profit to its constituent unions comparable to that of other Super 12 franchises, decided to play all its home matches at the larger, newly upgraded Hamilton venue during the 2004 season. Although Chiefs players were drawn from NPC unions throughout the franchise catchment, including Bay of Plenty and Counties-Manukau in particular, none of these centres currently appear likely to ever again host Super 12 matches due to their smaller capacity and, in the case of Tauranga, a lack of covered seating and floodlighting (Rattue, 2003b: *ibid*).<sup>84</sup>

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socks in the colours of the Waikato's NPC team were sold to promote the Stadium and raise more funds (Wellwood, 2003: 1).

<sup>84</sup> During negotiations, Chiefs management offered the Rotorua District Council the opportunity for the Council to pay \$NZ 100,000 to host a match in Rotorua, with the Chiefs retaining all match profits. Despite the match being described by a Council official as "a huge part of what we look

Further north in Auckland, re-development of the privately owned Eden Park was built upon season ticket packages, corporate boxes, seating and facilities. The \$NZ 175 million upgrade project completed in 1999 (including building of a new stand sponsored by an Australian-owned bank), was partly dependent on the sale of 80 corporate suites at a price between \$NZ 160,000 and \$NZ 200,000 each for a ten-year licence and a ten-year right of renewal, plus an annual rent of \$NZ 52,000 (Gill, 1997: 35). The Auckland City Council was anxious to help the Eden Park Trust Board to host major matches. In 2002, the Council added \$NZ 2 million to an already existing \$NZ 10 million loan to fund the re-grassing of the Park's main sports ground. The Council's finance and corporate business committee chairman, Doug Armstrong, observed that: "Auckland City (Council) has a responsibility to ensure we have sporting venues of an international standard if we are to compete with other New Zealand venues, and internationally" (Taylor, 2002b: 1).

Nevertheless, the Council's support of Eden Park is variable. A resource consent application lodged by the Eden Park Trust Board to host three non-sporting night events at the venue to generate revenue appears unlikely to proceed (Smith, 2003b: 12). During a hard-fought campaign in 1997 to approve installation of floodlights for night events, the plan to host concerts was dropped as a concession to nearby residents. Eventually an Environment Court hearing was resolved in the Trust Board's favour (Cumming, 2003: B5). However, a subsequent proposal to extend Eden Park's seating capacity to 60,000 failed when the Auckland City Council deferred indefinitely the Trust's request for a contribution of \$NZ 20 million for the \$NZ 45 million project. The Council

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forward to each year," the Council turned down the opportunity. Previously, the Chiefs had stopped playing matches at the home stadium of another of its franchise unions, Counties-Manukau, due to an inability to earn the revenue it needed for the venue to remain viable for the franchise (Rattue, 2003b: *ibid*).

placed a higher priority on major transport development in the city (Taylor, 2003a: 1) (Dye, 2003: A3). The Council also turned down a request from the Trust Board to extend a \$NZ 10 million loan at reduced interest. The request coincided with a decision by the Council to increase its contribution to the building of a large indoor arena near the waterfront, from \$NZ 50 million to \$NZ 58 million (amidst the preparation of an election-year budget) (Orsman, 2004: A7). Without Council support, further expansion of the country's largest rugby stadium appears unlikely in the medium term.

### **Exporting Talent: New Zealand as a Rugby Factory**

The introduction of professional rugby has generated a burgeoning demand for New Zealand players and coaches from clubs in Japan, the UK and parts of Europe. A combination of overseas experience and well-paid employment as a full-time rugby player is proving an irresistible option. At the start of the 2002 season, 650 New Zealanders were registered with the NZRFU as playing rugby overseas (Wallace, 2002b). This drains playing talent from all levels of the game. Frustration with limited career opportunities in New Zealand (particularly when players miss out on selection for Super 12 teams) can also lead players to consider professional rugby options in other countries (Paul, 2004a: 63). Although media attention has highlighted the departure of leading players from international and Super 12 competition to offshore professional clubs, the greatest impact is felt at club and provincial rugby level. Overseas clubs operate in larger economies and are able to pay larger salaries to players. In Japan, professional rugby players are paid well beyond what they might earn playing provincial rugby in New Zealand. After paying living expenses an average player in Japan could save \$NZ 100,000 pa and top players could save NZ 250,000 pa or more (Howitt & Haworth, 2002: 45). In contrast, most provincial rugby in New Zealand is played on a semi-professional basis with income only

supplementing what players might earn in a full or part-time job. However, club rugby continues to be played on an amateur basis. The survival of individual clubs still depends on volunteer support. Without the resources to pay players, club teams rely on the financial backing from provincial administrators. In turn, NPC unions are competing for players with overseas club teams as well as strong unions in New Zealand. Each province wants to retain its players and support and grow their local club competitions.

The overlapping of the Super 12 season and Tri-Nations rugby with the club season has weakened the quality of club matches. As players become recognised for regional and national honours, they have little or no time for the club they started with. This weakens the quality and attractiveness of club competitions. Critics suggest that this and the lure of overseas contracts is leading to a fall in playing standards in provincial and international rugby (Romanos, 2002: 127). Leading players are not sharing training techniques learned at the elite level of the New Zealand game with their club rugby peers. Instead, the transfer of players to overseas clubs and teams means these techniques are being shared with other rugby nations, thereby reducing New Zealand's long-term international advantage. In order to encourage players to remain in New Zealand, the NZRFU has excluded those overseas from national selection. Nevertheless, NPC unions and the NZRFU cannot counter the lucrative playing contracts presented to leading provincial, Super 12 or All Black players. Strong French and UK clubs such as Wasps, Saracens, Leicester, Perpignan, Bristol and Harlequins have all drawn players from New Zealand.<sup>85</sup>

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<sup>85</sup> For example, in 2003 the French rugby club, Perpignan, confirmed the signing of two senior players from Australia and New Zealand, including All Black, Scott Robertson. Exclusion from early training squads for the 2003 Rugby World Cup led Robertson to make himself available for an overseas contract. His standing as a senior All Black assisted negotiation of a three-year contract with Perpignan, at \$NZ 360,000 pa (Unattributed, 2003h). In 2001, senior All Black, Josh Kronfeld, who too was overlooked by national selectors, joined a leading British club. His contract of \$NZ 600,000 pa exceeded what was believed to be the previous best for an overseas

Japan, a country with 120,000 registered rugby players, is also attractive. As many as 100 New Zealanders currently play in that country (Adams, 2003: 20). Teams owned by major companies such as Toshiba, Mitsubishi, NEC and Kobe Steel dominate the Japanese rugby market and operate on an average budget of \$US 8 million with a squad of 45 professional rugby players (Howitt & Haworth, 2002: 40). They are paying some of New Zealand's leading provincial players salaries equal to - or in excess of - that paid to senior All Blacks by the NZRFU (Wallace, 2003: 1).<sup>86</sup> The NZRFU and New Zealand's provincial unions are unable to compete in this market. For example, during the 2002 season, one of international rugby's highest paid players was New Zealander, Andy Miller, a former Bay of Plenty representative, playing in Japan. Although he had never played for the All Blacks (and had only limited Super 12 experience), Miller was regarded as one of the best rugby players in Japan and was said to be earning \$NZ 1 million/season (Crysell, 2002).<sup>87</sup> In contrast, the Bay of Plenty union recorded a \$NZ 267,000 loss for the 2002 season and subsequently, a loss of \$NZ 285,000 for 2003 (Unattributed, 2005a: C16).

The difficulty of maintaining meaningful club competitions in the post-professional era is marked. With professional rugby, player loyalty to clubs has declined. At the same time, there is a need for skilled business people to manage rugby clubs adequately to ensure their viability. Careful management is

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New Zealand player, \$NZ 500,000 a year for former All Black, Zinan Brooke. However, this was still short of the salary of England's highest-paid player at the time, Lawrence Dallaglio, who was reported to be earning \$NZ 700,000 pa (Sanders, 2001: B1).

<sup>86</sup> In early 2003, the North Harbour NPC team lost another of its players, Blair Urlich, after he was left out of the 2003 Super 12 draft. A NZ Maori representative and Blues Super 12 player during the 2002 season, but now without a professional rugby salary, Urlich accepted an offer of a one-year contract to play in Japan for a team owned by the Mitsubishi Corporation. As a consequence of missing the Super 12 draft, he was also lost to North Harbour's NPC team and his club (Wallace, 2003: *ibid*).

<sup>87</sup> Miller has represented his adopted country in a match against the All Blacks (Crysell, 2002).

required to avert significant financial difficulty. The opportunity for clubs to be the fulcrum within communities is now lessened by socio-economic trends (Turner, 2002: 206). The movement of young men and women into the cities from towns and villages has had a significant impact. Some clubs have had to merge to remain financially viable. Mergers are also a response to the growing number of commercial venues and restaurants licensed for the sale of alcohol (following changes in liquor licensing laws) thereby diluting bar revenue for clubs. Some clubs have been unable to maintain their rooms and have downsized. Many host significant club functions at a nearby hotel or at venues leased for one-off events (Knight, 2003: 14).

Difficulties at club level have not been the sole preserve of provincial regions. In Auckland, the Ponsonby Rugby Club (famous as the club that has produced the most All Blacks) suffered the humiliation of having to sell its clubrooms to remain viable. A fall in money earned over the bar was compounded by the 1987 economic crash. With a fall in land values, the mortgage on its premises was using up valuable funds while the club was attempting to maintain its playing strength. In 1998, the club, Auckland city's oldest continuous ratepayer, was forced to sell its premises and moved on. The Ponsonby Club agreed to a 15-year lease with Auckland City Council to use Council-owned grounds at Western Springs Stadium (Neazor, 1999: 226).<sup>88</sup> The City Council wants to maximise return on its investment in city land and amenities. The club's touch rugby competition over summer now shares the stadium with regular stockcar meets, outdoor concerts and festivals.

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<sup>88</sup> In acknowledgement of the Ponsonby Rugby Club's record as the club that has produced the most All Blacks in the history of the game, it was from these leased facilities that the NZRFU announced the squad for the 2003 Rugby World Cup.

In the post-professional era, New Zealand's leading coaches are also in demand overseas. They too were unpaid during the amateur era, but coaches are now able to consider career opportunities. For example, New Zealand coach and former All Black, Brad Johnstone, received the tournament coach award at the 1999 Rugby World Cup for his coaching and the performance of the Italian national side. Prior to this role, he had also coached club teams in Sydney, New Zealand and Italy along with the Fijian national team (Howitt & Haworth, 2002: 26).<sup>89</sup> Overseas rugby administrators have sought to import New Zealand coaches to improve on-field performance and in turn improve the club or union's off-field financial position. This may have a more significant impact on New Zealand's playing strength than its loss of leading players. In the amateur era, the skills and techniques imparted by New Zealand coaches were instrumental in getting the best out of New Zealand's provincial and representative teams. New coaching ideas and techniques invariably remained within New Zealand. This gave the All Blacks an advantage over other teams and countries and was achieved despite New Zealand's smaller player base, in comparison with England, France and Australia.

The development of professional sport leads to improvements in resources and training techniques. The heightened necessity to negotiate and maintain commercial sponsorships (and the need to retain the players that make these possible) leads to a continual refinement of training and team management techniques to stay competitive. Over time, these are passed on as coaches, assistant coaches and others, move between teams to progress their own careers. The transfer of coaching techniques among major rugby nations has mirrored the transfer of coaching skills within the National Football League (NFL) in the

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<sup>89</sup> Johnstone's first overseas coaching role was as a player/coach for the St George club in Sydney, during the pre-professional era. While he was unable to be paid in cash, the club gave Johnstone a washing machine, a dishwasher, a tumble dryer, a microwave and a lawnmower as well as arranging a job as a building foreman for a construction company (Howitt & Haworth, 2002: 26).

United States. For example, the authors of *Peak Performance* attributed the successes of NFL team, the San Francisco 49ers, to the coaching structures and disciplines trained by head coach, Bill Walsh. Involved with the team from 1978 to 1989 and again from 2000 onwards, Walsh became famous for the development of the 'west coast defense' (sic). Over time, other NFL teams and coaches, particularly those with links to the 49ers, adopted this system. Former coaches of the 49ers from Walsh's era were often referred to as coaching in "the 49ers way" when they moved to coach or manage other teams and franchises (Gilson, Pratt, Roberts & Weymes, 2001: 86). In New Zealand, similar development of coaches is increasingly common. Andy Haden, a former All Black and captain of the Auckland provincial team, believes the Auckland provincial union benefited significantly by appointing coaches, Bryan Williams and Maurice Trapp. They were able to follow the meticulous planning and attention to detail of previous coach, John Hart, who coached the team with great success during the early 1980s (Haden, 1988: 150). In more recent times, unions such as Otago and Taranaki have also benefited from the appointment of assistant coaches who had originally learnt from successful coaches such as Laurie Mains and Colin Cooper.

Professional rugby coaching is now a career and New Zealand rugby coaches are employed around the world. This has led to the export of training techniques developed in New Zealand (Verdon, 2003e: 13).<sup>90</sup> In acknowledging this, the NZRFU initially banned New Zealand coaches from coaching its national teams if they had previously coached an international side. It instituted what became known as 'the Henry clause' when Graham Henry, coach of the Super 12-

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<sup>90</sup> International demand for New Zealand coaching skills has led to the launch of New Zealand's International Rugby Academy, a privately owned organisation that provides rugby tuition to overseas players and coaches. Its alliance with the NZRFU allows the Academy to contract New Zealand's best rugby coaches and trainers. The Academy's commercial reputation was acknowledged by its inclusion in a Fast Forward programme for businesses with high export potential by New Zealand Trade & Enterprise (Verdon, 2003e: 13).

winning Auckland Blues team was ruled incommunicado by the NZRFU. He had chosen to accept a coaching job with the Welsh national team in 1998 (Butcher, 2004: 84). Wales demonstrated Henry's value by paying him a salary of £ 250,000 pa that made him the world's highest-paid rugby coach (Butler, 2001). Some time later, the NZRFU relaxed the policy. Initial petulance at Henry's loss to the local game had been replaced by the realisation that New Zealand had limited opportunity to develop its coaches over the long term. The NZRFU acknowledged that coaching overseas would prove valuable as a training ground for future All Blacks coaches (Unattributed, 2003i: D3). When the NZRFU rescinded a lifetime ban on his ever coaching the All Blacks, Henry returned to New Zealand in 2002 as a player development manager for the Auckland Rugby Union with the NPC team and later, for the Blues Super 12 side in 2003 (Verdon, 2003f: 57) (Gray, 2002c: A1) (Butcher, 2004: 88).

Acknowledgement of the contribution that overseas experience can provide came with the quick elevation to the All Black coaching role of John Mitchell, just 37, during the 2002 season. Mitchell, a former All Black, had built his coaching expertise over four years as assistant coach for England. This was a period during which England renewed its reputation for strong forward play, largely as a result of Mitchell's New Zealand knowledge. In 2000, he reputedly turned down a further four-year deal to stay with the England team, so that he could return to New Zealand, initially as a professional coach for his Waikato province (Watkin, 2002). When during 2001 the incumbent All Black coach, Wayne Smith, temporarily stepped aside after achieving mixed results, Mitchell applied for the position and was appointed through to the 2003 Rugby World Cup (Hinton, 2001c: B1). Ironically, one barrier to winning that tournament would be the strength of the England team he had helped to build. Immediately prior to the World Cup, the IRB named England as the world's number one-ranked team (Unattributed, 2003j: D12).

## Conclusion

The SANZAR Super 12 competition has become entrenched as a major money making vehicle for the NZRFU and for provinces hosting Super 12 franchises. It provides a substantial component of the televisual product required by broadcasters as well as revenue and promotional opportunities for New Zealand rugby's corporate partners. But while Super 12 has also provided a new dimension for New Zealand players (and coaches) wanting a financial return from playing rugby, this has been at the expense of the sustainability of provincial unions and club rugby. For players wanting to further their careers, the professional era allows them to join leading unions that will provide a good income and a pathway to national prominence. However, such is the magnetic draw of Super 12 player contracts that smaller unions without the same resources are reduced to feeder status. This has severely affected player loyalty to home unions and clubs and led to a major imbalance within the NPC. The unions that suffer most from the loss of players are the unions least able to improve their own sustainability. The five Super 12 host unions (Wellington, Canterbury, Otago, Waikato and Auckland) now dominate each year's NPC and can afford to stockpile players and lend them out to weaker teams. As a consequence, NPC matches are no longer an accurate representation of a province's true rugby ability and club rugby in particular has deteriorated as a consequence.

To retain and attract leading players, financially vulnerable unions are forced into shorter-term strategies, ultimately at the expense of their long-term financial position. This situation is compounded by reliance on funding from respective Super 12 franchises. Those franchises that perform well can pay good dividends to the smaller unions that make-up their catchment areas. But due to New Zealand's small economy, they effectively deny income from other poorly

performing franchises that are less able to pay dividends to financially vulnerable stakeholder unions. In some franchise regions, Super 12 matches are played at one central venue rather than throughout the franchise. This is the only way the franchise can generate a competitive return for its stakeholder unions. Smaller venues are deprived the opportunity to host major matches as the franchise is forced to maximise its income. Upgrading of provincial rugby venues only occurs if there is significant financial benefit in doing so. While commercial interests significantly influence decisions, smaller, less commercially important venues are left to languish.

Invariably, provincial unions increasingly depend on their local territorial authorities to fund better facilities so as to attract better players, high profile matches and more fans. Local government provision of community facilities such as sports stadiums requires the support of commercial enterprises to make projects a reality. However, smaller provincial economies cannot support development or upgrading of facilities to the level expected in the professional era. In larger metropolitan centres unions are able to call on greater city and regional council support for developing ever-better facilities to host major matches. This support underwrites expensive stadium developments containing facilities that encourage corporates to provide additional revenue. However, improved ground seating leads to higher ticket prices for regular fans, restricting attendance at matches to those that can afford it.

Some unions apply extreme measures to develop and retain revenue streams. This has led the NZRFU to change the rules that allow such advantages to be exploited at the expense of financially vulnerable unions. Nevertheless, the professional era means that NPC unions are now part of a global market place for players and coaches. Not only do NPC unions compete with their fellow New Zealand unions for the best players and coaches, they also compete with far

better resourced offshore teams. Due to New Zealand's reputation as a leading rugby nation, its coaches and players are highly valued overseas. By attempting to improve their relative commercial standing by contracting top players and coaches, overseas clubs have stimulated an international market place for rugby professionals. Leading players find that they have significant commercial value and can leverage better salaries by attracting the interest of several teams or clubs. In particular, New Zealand players (and coaches) can build a lucrative rugby career overseas. As a consequence, the training methods and techniques used by New Zealand coaches and players are being shared with other rugby nations. This has diluted an advantage that New Zealand had enjoyed during the amateur era.

Faced with changes in social mores and the proliferation of other leisure activities, club rugby is struggling. Longstanding clubs are either merging with traditional rivals or are going out of existence altogether. Although club rugby still provides an opportunity for young players and school leavers to develop their skills in the game, top performers can quickly become unavailable for club matches (due to their selection for age group and development teams, national rugby academies, provincial and Super 12 squads). Leading players that choose to leave New Zealand for lucrative overseas contracts compound this problem. Because of the paucity of experienced players available to play club matches, skills are not being handed down to younger and less experienced players that take their place. As a consequence, the quality of club matches and their interest for rugby fans is falling.

Clubs are also vulnerable to the tactics of leading schools that want to improve the strength of their teams. Leading schools have the resources to attract young players to new regions on the pretext of improving their prospects for the professional game thereby boosting the school's sporting reputation.

Nevertheless, it has been the strength and quality of grassroots club and provincial rugby in the pre-professional era that has provided New Zealand's best players for provincial and international game. But rugby's amateur level has been the most vulnerable to the impact of the game's commercialism. It has struggled to retain parity and relevance in the professional era.

## Chapter Five:

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### **The 2003 Rugby World Cup: Commercial Realities and Rugby Culture**

The News Corp deal with the SANZAR unions rendered the game of rugby open or professional. However, a major step toward professionalism occurred with the introduction of the first Rugby World Cup (RWC) in 1987. By 1991, the IRB had acknowledged the potential of the RWC to earn significant revenue to fund development of the game. The tournament has grown in stature and is often promoted as the world's third biggest sporting event, after the Olympics and FIFA's World Cup. In 1997, the NZRFU tendered as sub-host with lead-host Australia for the fifth RWC in 2003. Hosting the 2003 tournament in the southern hemisphere would provide an ideal opportunity for New Zealand to reclaim the RWC crown. Such a reward would also assist the renegotiation of broadcast and sponsorship deals that were the financial base of the NZRFU. However, although the inaugural RWC hosted by the NZRFU was a successful albeit modest event, this experience was far removed from the aggressive commercial requirements imposed on the prospective hosts by the IRB.

This chapter outlines how and why the NZRFU fought unsuccessfully to maintain sub-host status for the 2003 RWC. The IRB set revenue maximising criteria for the RWC that ultimately led to the NZRFU commissioning a major review of its own performance in the sub-host negotiation process. The results of this review proved tumultuous for governance of rugby in New Zealand. It highlighted the NZRFU's links with its stakeholders and revealed the commercial imperatives that had come to shape rugby. Ultimately, the 2003 RWC would not be a successful event for the NZRFU or for New Zealand. However, the event proved extremely successful for the IRB and for Australia.

Nevertheless, management of the tournament exposed attitudes that differed from the long espoused ethos among rugby nations, that of the game being the most important part of any competition.

### **The Rugby World Cup: A Global Commercial Event**

The future of international rugby was changed forever when New Zealand hosted the first Rugby World Cup (RWC) in 1987. The overall success of the event meant that the international schedule and the selection of teams, coaches, team management, tactics and strategies started to fall into a four-year cycle (McConnell, 1998: 272). Longer-term selection strategies emerged whereby players were introduced into a team with the next RWC in mind (ostensibly learning from older players who would soon retire from the game). The advent of open professionalism in 1996 also provided a new opportunity for senior players at RWC tournaments. Good team and individual results improved their commercial value to overseas clubs searching for players likely to attract fans and big-name sponsors.

The NZRFU had been a prime mover behind the introduction of the first RWC, but by 1997 when the union expressed interest in hosting the 2003 event, international rugby had changed dramatically. The NZRFU and ARU had pressed the IRB for some years to sanction the first RWC; when this occurred, the NZRFU organised the event with assistance from the ARU as sub-host. Although New Zealand had held major sporting events in the past (including two Commonwealth Games since WWII and was preparing for another in 1990), the organisation of the first RWC was a difficult task given the short lead-time, the prevailing amateur and volunteer ethic of rugby administration and only lukewarm support for the concept from the IRB. Notably, representatives from all four home unions were believed to have voted against the RWC proposal for

the fear that they would lose control of their own game (Wyatt, 1995: 52).<sup>91</sup> Nevertheless, the event caught the imagination of New Zealanders and with sponsorship from a Japanese telecommunications company, KDD, returned a very creditable income of \$NZ 9 million (Davies, 2003: 82). Four years later and with a large group of sponsors, a longer planning time and greater spectator base, the 1991 RWC hosted in Britain and France returned non-ticket income of \$NZ 57 million (Romanos, 2002: 22).<sup>92</sup> The amateur IRB thus acknowledged that the RWC provided a major revenue stream for the game. This led to new initiatives including women's rugby, an international rugby sevens tournament, a junior World Cup and the promotion of rugby in developing countries.

When after its first all-race elections, South Africa hosted the third RWC in 1995, the IRB appointed global sports promoter, International Marketing Group (IMG) to manage corporate contracts for the tournament. Its involvement helped increase non-ticket revenue to \$NZ 93 million (Romanos: 2002: 41). In 1999, a cluster of entities managed the first RWC of the professional era. The IRB established a subsidiary, Rugby World Cup Ltd (RWCL), to sell sponsorship, package tours (including match tickets) and catering/hospitality rights at the grounds. Another company, RWC Tournaments, was assigned overall rights that were in turn contracted out to another entity, Rugby Solutions Ltd. As lead host, the Welsh Rugby Union was responsible for organising the games and venues but Rugby Solutions ran the tournament. Another company, RWC Services, undertook administrative duties for the RWC (Gardiner & Bingham, 2002a: B1).

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<sup>91</sup> Critics argued that the IRB had also resisted development of the Rugby World Cup concept because of the impact it might have on the profile of the northern hemisphere Five Nations tournament that featured all the home nations and France (Haden, 1988: 228).

<sup>92</sup> Although major sponsors for the inaugural Rugby World Cup were difficult to find, the commercial success of the event ensured sponsorships were far easier to attain for the 1991 tournament. The event's six leading brand sponsors were Heinz, Grouse, Société Générale, Sony and Glass South Africa who together contributed £ 4.5 million (Davies, 2003: 81).

Hosting a RWC could provide a major financial windfall for a host country. The 1999 event in Wales attracted 331,000 spectators, of which 66% were Welsh residents. The remaining 34%, comprising visitors to Wales, spent approximately \$NZ 300 per person per day. The tournament prompted 15% of Welsh businesses to employ extra part-time staff and led to the creation of 1,700 extra full-time jobs that year (Mold, 2002: A1). News Corp's commercial interest in southern hemisphere rugby helped generate significant growth in television broadcasting rights for the RWC. While the 1987 event was televised in 17 countries, the 1999 RWC was screened in 214 countries to a potential viewing audience of three billion (Romanos, 2002: 41).<sup>93</sup> It had become the third biggest sporting event in the world after the Olympics and FIFA's World Cup (Rees, 2002: 42). With the advantage of hosting matches at major venues within the time zone of large European television audiences, RWCL received \$NZ 230 million in revenue from the 1999 tournament. A \$NZ 154 million profit was generated of which \$NZ 115 million was paid to the IRB Trust, a major advance upon the \$NZ 36 million banked after the 1995 RWC (Gardiner & Bingham, 2002a: *ibid*).

### **Hosting the 2003 Rugby World Cup: Corporate Imperatives and Trans-tasman Tensions**

Ten years after the NZRFU and the ARU hosted the first RWC, both national unions tendered a joint-bid to the IRB for the 2003 event with New Zealand as sub-host. In early 1998, the joint bid was accepted by the IRB on terms similar to those already in place for the 1999 event in Wales. The only outstanding factor

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<sup>93</sup> In contrast to the IRB's focus on generating broadcast revenue from the 1999 RWC, organisers of the 1991 Rugby World Cup had been willing to take low fees or none at all. They had preferred instead to focus on introducing the game to a new international audience of 2 billion people across 65 countries (Davies, 2003: 82). This focus on expansion in the international reach of rugby during the amateur era was also instrumental in generating huge commercial value in the professional game.

was determining how the event would be administered and how the lead union would report to the IRB via a Host Union Agreement (HUA). At this stage, both unions were expecting to host a similar number of games. The only major difference was that the ARU, as host union, would host the final. The NZRFU would host the less prestigious play-off for third/fourth and each union would evenly share pool matches, quarterfinals and semifinals. Each union would account for respective revenues and expenditures relating to fixtures in their own country and there would be some shared costs (Unattributed, 2002j: A13). However, as a British journalist writing for the London Independent observed at the time, the New Zealand part of the draw was significantly weaker than that proposed for Australia (Hewett, 2002: C1). Teams playing within New Zealand, except for the All Blacks, did not include any that had reached a RWC semi-final. All non-New Zealand teams that would be favoured to reach the 2003 semi-finals (Australia, England, South Africa and Ireland) were seeded to play in Australia. It was anticipated they would draw far bigger crowds than in New Zealand.

David Moffet, the NZRFU chief executive in 1998, described the RWC hosting deal between the ARU and NZRFU as “fantastic for both countries” (Unattributed, 2002k: B7). However, in a subsequent review carried out by former chief justice, Sir Thomas Eichelbaum, the arrangements between the host and sub-host were described as “sloppy” and unfavourable to New Zealand. This was due firstly, to the absence of a cap on potential expenses that the IRB could impose on both unions and second, an unequal sharing of income (Bingham, 2002a: B5). Eichelbaum also noted a major change in the relative financial position of the two unions from 1997 to November 2001 (when the ARU signed the Host Union Agreement with the IRB). By this time, the relationship between the NZRFU and the ARU had deteriorated significantly. Indeed, the HUA was signed without the implicit agreement of the NZRFU.

A number of factors had contributed to this breakdown. In his independent review (albeit commissioned by the NZRFU), Eichelbaum observed that when first negotiating an agreement with the ARU, the NZRFU was anticipating a strong performance from the All Blacks at the 1999 tournament. This would have put New Zealand in a strong negotiating position (Eichelbaum, 2002: 17). It had hoped to share the income from the RWC on a 50/50 split with the ARU (although this was still to be worked through at the time of the joint bid being accepted in 1998). However, a year later after unexpectedly losing to France in the semi-final, the All Blacks also lost to South Africa in the play-off for third and fourth (Perrott, 2003a: A20). The team and coaches returned home to national vilification as rugby journalists and former All Blacks variously described the team as leaderless, lacking in skills, poorly coached, managed and administered (Hope, 2002: 250). British journalist, Stephen Jones, in a book about the impact of professional rugby argued that by courting significant commercial support for the game, "All Blacks Inc. had become ludicrously too important to the people of the country" (Jones, 2000: 125). In contrast, Australia had beaten France in the final and had become the first country to win the RWC title for a second time, having won the tournament in 1991.

After these results, New Zealand's dominance over all-comers was perceived as a thing of the past. This was followed by more poor results during the 2000 season. Meanwhile, Australian rugby was beginning to thrive with success at international level and in the Super 12 leading to expansion in stadia capacity and public support. By 2002, the ARU could feel confident of a substantial return from hosting the RWC. It was at this point that the imbalance in World Cup income potential for both unions became clear. In Australia, rugby was growing in popularity following the achievements of its national team. The building of major new stadia could now cater for far larger audiences than was possible in

New Zealand.<sup>94</sup> This ensured that the ARU had far greater ability to cover any additional or unexpected costs and it had the ability to generate far greater revenue. In New Zealand, significant rebuilding of stadia in Auckland, New Plymouth and Christchurch, plus the building of new stadia in Wellington and Hamilton still could not match Australia's capacity. Consequently, the NZRFU did not have similar potential for income generation and amortising additional costs.

The revenue share imbalance was highlighted as the IRB struggled to secure its target of eight major tournament sponsors. By March 2001, it had just three global brands, Coke, Visa and Heineken and the potential for a major return was under threat (Johnson, 2002: 91). By July 2001, the IRB had requested that the Australian and New Zealand unions incur additional costs of \$A 19.6 million. Ostensibly this was to cover travel and accommodation costs for the visiting teams. Additionally, host unions were expected to arrange corporate hospitality at every venue for a large group of VIPs, sponsor representatives and sporting officials. The NZRFU's projection of a small profit for its sub-host role turned into a possible loss of \$A6.5 million (Unattributed, 2002j: *ibid*). Although the ARU was concerned that its own profit margin was diminishing, its larger stadia still ensured a substantial return (despite IRB demands that host unions meet key commercial requirements). Importantly, it was expected that both unions would provide 'clean' or advertising-free stadia within a 500m perimeter of each match venue. This would enable the IRB to earn income from major stadium catering contracts while restricting the incidence of match-day ambush marketing from non-RWC advertisers and brands (Unattributed, 2003k: 29). The IRB also required exclusive use of corporate boxes to host its sponsors. Similar constraints were imposed on the Welsh Rugby Union for the 1999 RWC and a

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<sup>94</sup> Hosting of the 2000 Olympics in Sydney was instrumental in the development of modern stadia that could host far larger audiences than ever before.

requirement for clean stadia had applied to the 1987 event (Wyatt, 1995: 41). However, by the 2003 event, clean stadia were top priority. Despite qualms about these requirements, the ARU did not want to lose its hosting rights to a northern hemisphere union (O'Neill, 2002a). Consequently, the ARU signed a host union agreement with the IRB in November 2001. The IRB also needed a sub-Host Union Agreement (SHUA) to be signed that would require the NZRFU to adhere to the conditions agreed by the ARU (Eichelbaum, 2002: 30).

By this stage, negotiations between the ARU and NZRFU revealed major obstacles and differences in attitude. The ARU wanted to capitalise on rugby's popularity particularly at the expense of country's three most popular sports - rugby league, Aussie Rules and soccer. Therefore the ARU made early overtures to host both semi-finals, knowing it could generate more income for itself and the IRB (Unattributed, 2002j: *ibid*). In contrast, the NZRFU was worried that RWC matches would clash with its NPC season and affect the \$NZ 20 million that provincial unions earned from the competition (Gray, 2002d: A1) (Unattributed, 2002l).<sup>95</sup> Nevertheless, the NZRFU assumed that the IRB would respect local concerns about absorbing additional sub-hosting costs. But it didn't appear to understand that hosting the RWC in Australasia posed significant financial concerns for the IRB.

It was proving difficult for the IRB to assign sponsors for an event hosted in the southern hemisphere. Matches were to be played in a time zone inconvenient for most of the world's rugby watching public and as a consequence, the tournament was expected to yield less money from broadcasters than a northern hemisphere event. Compared with the home unions, both southern hemisphere hosts possessed smaller venues and less audience potential (this was especially so for

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<sup>95</sup> "The NPC in any one year will make more money than New Zealand rugby can contemplate making from holding the Rugby World Cup," NZRFU CEO David Rutherford told New Zealand radio (Unattributed, 2002m).

New Zealand). Overall revenue from tickets, sponsorship, catering and package tour commissions contrasted unfavourably with the big grounds, big profits and strong currencies of Europe. New Zealand was also less attractive for the global brand sponsors the IRB was targeting. Nevertheless, the IRB still appeared sympathetic to NZRFU's case. By December 2001, it had managed to broker a deal whereby the ARU would contribute \$NZ 12.2 million to the NZRFU in return for the NZRFU ceding the third/fourth play-off to the ARU (Panckhurst, 2002: 40) (Unattributed, 2002j: *ibid*). With this agreement in place, the NZRFU's estimate was for a profit between \$NZ 3 million to \$NZ 5 million. Despite this concession, the NZRFU did not agree with the conditions of the Host Union Agreement (HUA) signed by the ARU. Of particular concern was an inequity in revenue sharing. Because of Australia's larger stadia and stronger economy (enabling higher ticket prices to be charged), the ARU still anticipated a profit in the region of \$NZ 30 million. However, the NZRFU believed it should share a substantial share of this revenue (Panckhurst, *ibid*). The NZRFU was also concerned with scheduling changes for the NPC requested by the IRB. To maximise RWC match revenue, the IRB required the NZRFU to ensure that NPC and RWC matches would not clash.

Despite an internal NZRFU memo in 1997 that acknowledged the need to adjust the NPC season to accommodate the RWC, no such action had been taken (Smith, 2002a: 10). Instead it resisted requests from the IRB to reschedule or shorten the NPC because this would significantly reduce income for provincial unions. Subsequently the IRB offered a compromise whereby NPC matches could overlap the last ten days of the tournament so long as they weren't played at RWC venues (Unattributed, 2002n). The best that the NZRFU could offer was a re-scheduling of the NPC finals during the less important RWC round-robin matches. This would minimise the potential for lost revenue. The NZRFU was also concerned that RWC ticket prices would deter fans and make covering costs

difficult (Gardiner, 2002a: A3). At the same time, the NZRFU also appeared far short of the requirement for clean stadia and the allocation of all corporate boxes to the IRB. This central element of the HUA had been acknowledged by the NZRFU in 1998 but had not been dealt with (Hinton & Johnstone, 2002: B1). Instead, the NZRFU chairman and CEO insisted that the IRB had reneged on an earlier understanding whereby sufficient corporate boxes would be made available for auction to the highest bidder. This would meet the needs of the IRB officials and its guests (Gardiner, 2002b: A1).

### **The Australian Rugby Union Prevails**

The ARU was unable to reach agreement with the NZRFU under the terms of the HUA it had signed with the IRB. Consequently, Rugby World Cup Ltd then withdrew its invitation to the NZRFU for sub-hosting the RWC. The ARU was given 21 days to present its plans for sole-hosting the event (Unattributed, 2002o) (Unattributed, 2002p). The NZRFU realised that its recalcitrance in completing negotiations with the ARU and IRB/RWCL could lead to the loss of sub-hosting rights. The NZRFU desperately lobbied the IRB and its member unions emphasising New Zealand's place in world rugby, its troubled Rugby World Cup journey and its right to be reinstated as sub-hosts (Gray, 2002e: A1). To gain the support of the English Rugby Union, NZRFU negotiators offered the union the opportunity to host a second test on the All Blacks 2002 northern tour. This would be sure to generate significant revenue for the English Rugby Union (Unattributed, 2002q). In desperation, the NZRFU recruited the former instigator of the rebel World Rugby Corporation, Ross Turnbull. However, his support of the NZRFU bid only undermined its credibility (Gray, 2002f: A3) (Hinton, 2002c: B1) (Rattue, 2002b: B8) (Unattributed, 2002r: B6). The NZRFU also tried belatedly to resolve the issue of clean stadia by requesting corporate box holders at each stadium to relinquish their seating rights (Bingham, Gardiner & Gray, 2002: A1).

New Zealand's Minister of Sport, Trevor Mallard, and Minister of Finance, Michael Cullen, promised to underwrite NZRFU losses if the RWC sub-hosting arrangements went ahead (Bingham, 2002b: A4) (Hinton, 2002c: *ibid*).

As the losing of sub-hosting rights became more likely, Mallard met IRB Chairman, Vernon Pugh, in Sydney in mid-March to encourage the IRB to reconsider New Zealand's position (Gray, 2002g: A1). However, by this stage the NZRFU chairman and CEO had publicly criticised Pugh for inconsistencies in his communication with them and the union (Unattributed, 2002p: *ibid*). The NZRFU also confirmed it might take legal advice to intervene in the IRB's final decision process (NZRFU, 2002). Mallard tried to mend relations with the IRB on behalf of the NZRFU. Interpreted by some as a means of building support for the government in an election year, his effort would ultimately prove futile (Armstrong, 2002: A23). In mid-April 2002, IRB members voted 16 – 5 in favour of the ARU (Hinton, 2002c: *ibid*). Praising the ARU's sole-host bid as one that “held an attraction, a professionalism and a logic which were irresistible,” the IRB acknowledged that Australian officials could meet the demands of major corporate sponsors signed to the RWC (Romanos, 2002: 24). In contrast, the IRB strongly criticised the NZRFU for a series of failures to meet deadlines and for the “wholly inappropriate behaviour” of its Chairman and CEO. This was perceived as embarrassing for the profile of the game (Eichelbaum, 2002: 14). Nevertheless, corporate sponsors voiced concern that the Australian-only event would undermine leverage of their brands in New Zealand (Fisher, 2002: A3).

Public admonishment by the IRB depicted the NZRFU board as intransigent, arrogant and commercially naïve. It had been the first union to adopt a professional ethic on the field. Its teams out-performed all others during the first two post-professional seasons (including the 1996 All Blacks winning its first ever test series in South Africa). But by 2002, the NZRFU's governance structure

and management had faltered. Official reliance on New Zealand's proud tradition in the game, although generating some empathy among the IRB board, held little sway within the global business culture of the RWC. This was especially so once the NZRFU management attempted to personalise the conflict (Laidlaw, 2002: D3). The last-ditch attempts of the NZRFU and the New Zealand government on its behalf to regain lost ground, only demonstrated a belated commitment to sub-hosting imperatives. In dealings with the ARU and the IRB, the NZRFU was complacent; only one official had been working to resolve the issue of clean stadia and corporate boxes. In contrast, it was well known that the ARU had assigned many more people to the task over a longer timeframe (Bain, W. 2002: A13). From an Australasian perspective, it was telling to reflect upon the initial joint tender document prepared by the ARU and the NZRFU in 1997. This referred to the relationship between New Zealand and Australia as "a unique partnership forged in adversity and nurtured in prosperity" (Gardiner & Bingham, *ibid*). Yet by April 2002, the relationship between the NZRFU and the ARU concerning the RWC was at an all-time low. In his report, Eichelbaum noted, "the rebuilding of relationships (is) one of the most important needs unearthed by this enquiry" (Eichelbaum, 2002: 45).

Losing sub-host status for the RWC proved a major blow for the NZRFU board, its Chairman and CEO. National media carried heavy criticism of the main players in the debacle from former All Blacks, administrators, media commentators and the public at large (Bingham, Gardiner & Gray 2002: *ibid*) (Gray, 2002h: B12). The NZRFU responded by commissioning former chief justice Eichelbaum to report on the circumstances leading to the loss of an arrangement that it had virtually already been awarded. All involved in the assigning of the sub-host status including key members of the ARU, IRB and NZRFU, agreed to participate (Bingham, 2002b: *ibid*). The NZRFU issued the Eichelbaum report in its entirety, despite the report's damning criticism of its

negotiations. In his report, Eichelbaum noted those aspects that had influenced the attitude of the NZRFU and board. Not the least was the NZRFU's inability to reconcile itself to sub-host status in relation to the ARU. The NZRFU also over-estimated the importance that the IRB/RWCL might place on New Zealand's position as a leading rugby-playing nation. In fact, its true bargaining position was rather weak (vis-à-vis its potential for generating a good financial return for the IRB). Certainly a focus on protecting revenue drawn from the NPC suggested to the IRB that the NZRFU valued its domestic competition more than the prestige of sub-hosting the RWC. Equally, the NZRFU's poor effort in attempting to meet the longstanding requirement for clean stadia and corporate boxes indicated it was unwilling to acquiesce to the IRB's commercial demands. Yet these were not too dissimilar from the commercial requirements specified for other major international sporting events held in New Zealand (Panckhurst, 2002: 39). The NZRFU's failure to retain sub-host status led to ostracism from its peers. Rob Fisher, the NZRFU's representative on the board of the RWCL and the IRB, was not invited to the official launch of the RWC in May 2002 in Sydney. He and other NZRFU officials were effectively excluded from a guest list of 300 dignitaries from around the world. The only New Zealand representative invited to the launch (delayed from March due to the breakdown in negotiations in confirming the HUA) was David Kirk, the Sydney-based former captain of the All Black team that won the first RWC in 1987 (Gray, 2002i: B12).

### **Losing Sub-Host Status: Causes and Consequences**

The NZRFU did not realise the degree to which the RWC had changed since 1987. From being a tournament to determine the best rugby nation, it had become the IRB's primary source of income. Although reluctant to sanction the first RWC, the IRB had assumed ownership of the event and reserved the right to earn as much tournament revenue as it deemed fair. For example, host unions

are charged a significant fee to host the tournament. This pressures the host to ensure the event returns a fair return for its own efforts. For smaller economies, the local host is effectively subsidising the IRB's revenue gathering from the event. In the instance of the NZRFU, this fee was estimated at between \$NZ 6 million and \$NZ 10 million for the 2003 event (Gardiner & Bingham, 2002a: B1 – B3). With the release of the Eichelbaum report, the NZRFU Chairman and the CEO resigned from their roles, although initially the Chairman, Murray McCaw, remained on the board (Unattributed, 2002s: C3). This was insufficient for McCaw's Wellington home union. Believing that the NZRFU had not gone far enough, the Chairman of the Wellington union requested McCaw also resign from the NZRFU board, which he subsequently did (Gardiner & Bingham, 2002b: A3). Following renewed public criticism of the board's culpability, a New Zealand Herald editorial was headed "Rugby board must go" (Unattributed, 2002t: A14). Subsequently, a vote of no confidence in the board by the chairmen of New Zealand's 27 provincial unions led the entire NZRFU board to stand down (Oliver, 2002: A1). This hugely dramatic event was the biggest executive shake-up in the NZRFU's 100-year history (Smith, 2002b: 14).

The loss of sub-host status had multiple effects. Due to the money involved in administering the game, the commercial stakes were high and widely spread. Winning the commercial stakes off the field had become just as important as winning the game(s) on the field. In an election year, Finance Minister, Michael Cullen, was keen to protect what he described as "significant economic benefits" of the RWC for New Zealand. This informed the government decision to underwrite possible NZRFU losses for sub-hosting the tournament by up to \$NZ 5 million (Panckhurst, 2002: 43). Initially the NZRFU did not request government support to host the RWC, although the ARU had been offered substantial state and federal government support for its bid (Masters & Mold, 2002: A1). However, as negotiations with the ARU soured, the New Zealand government

weighed in to protect what was estimated to be a \$NZ 125 million economic gain from sub-hosting the RWC (Johnstone & Potter, 2002: B2). Such assistance would have supplemented \$NZ 300,000 already provided by the government funded Hillary Commission (now Sport & Recreation New Zealand, aka SPARC) to help the NZRFU plan for the tournament (Panckhurst, 2002: *ibid*). Sub-hosting status also provided major opportunities to promote New Zealand as a desirable tourist destination to a global television audience.

Lost opportunities for the New Zealand economy contrasted with the financial opportunities available to Australia. An \$A 800 million influx into the Australian economy from tourists was expected from the ARU's sole hosting rights (Johnstone & Potter, 2002: *ibid*). Overall profit from the RWC, including the IRB's majority share, was expected to reach as much as \$NZ 400 million (Mold, 2002: *ibid*). The ARU believed that sole host status would only add another one or two million dollars to its projected profit of \$NZ 42.8 million. However, Rugby World Cup Ltd could gain an additional \$NZ 32.9 million from a single host, due to Australia's bigger stadiums and better northern hemisphere broadcasting times for the matches (Sell, 2002: A3).

In Auckland, companies had bought corporate boxes at Eden Park, partly due to the guarantee from the Eden Park Trust Board's prospectus and supporting legal statement that it would be hosting RWC matches. Consequently the companies took legal advice. The NZRFU was considered a possible co-defendant with the Trust Board in a civil suit with 25 boxholders. Responding to the promise that RWC matches would be included in corporate packages, companies had bought boxes between 1999 and 2002 for \$NZ 160,000 to \$NZ 250,000 each, plus annual rents of \$NZ 52,000 (Smith, 2002c: 1). Brochures promoting individual season passes for the 2002 season at Eden Park encouraged prospective buyers with the

slogan, “Where will you be sitting for the Rugby World Cup in 2003?”<sup>96</sup> Also in Auckland, Dominion Breweries (DB), the local licence holder of the Dutch beer brand, Heineken, was left to consider lost revenue estimated to be in the region of \$NZ 7.2 million (Heineken had been signed by the IRB as one of the major event sponsor brands) (Panckhurst, 2002: 39). Dominion Breweries managing director, Brian Blake, bemoaned his company’s lost opportunity to compete directly with the Lion Breweries’ Steinlager brand, a longstanding sponsor of the All Blacks. With the IRB’s clean stadia rules, Heineken and DB stood to gain a significant commercial advantage over its competitor (Ludden, 2003: C4) (Unattributed, 2002u).<sup>97</sup> Indeed, Heineken’s headquarters in Europe had been lobbying the IRB for the NZRFU to retain its matches (Panckhurst, 2002: *ibid*). The anticipated loss led Heineken to seek a refund on its \$NZ 7 million sponsorship of the RWC from the IRB (Smith, 2003c: 1).

The NZRFU’s loss of sub-host status also meant lost revenue for New Zealand-based travel companies such as Air New Zealand and local tourist operators, hoteliers, event managers and stadiums (some of which had been upgraded with the hosting of RWC matches in mind).<sup>98</sup> Christchurch Mayor, Gary Moore, bemoaned the ratepayer-subsidised \$NZ 37 million invested in a new stand built at Jade Stadium. The stand was scheduled for completion to host RWC matches that would now not eventuate (Panckhurst, 2002: 38). The IRB also faced pleas

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<sup>96</sup> Customer brochure for Eden Park Season Passes 2002

<sup>97</sup> Not unlike Steinlager, Vodafone, a major sponsor for the Australian host team, was similarly affected by the IRB’s clean stadia requirements. With the IRB signing Telstra (one of Australia’s largest telecommunications companies) as one of eight event sponsors, the Vodafone logo was banned from appearing on the Australian team jerseys (Ludden, 2003: C4). This was later proved to be influential for Vodafone and the ARU. Vodafone chose not to renew its naming rights sponsorship of the Wallabies when its contract expired in early 2004 (Unattributed, 2004b).

<sup>98</sup> Nevertheless, the Government’s Ministry for Economic Development would later take the opportunity to ensure its department, NZ Trade & Enterprise, hosted a number of events and promotions in Australia during the six weeks of the RWC. This was designed to boost New Zealand’s trade and tourism profile at the top end of the business market (Ansley, 2003: C4).

for recompense from state-owned broadcaster, TVNZ. In 1996 it had paid \$US 10 million for a broadcast rights package that included the 1999 and 2003 tournaments plus two World Rugby Sevens Competitions. TVNZ's CEO, Ian Fraser, said the agreement was signed on the assumption that the tournament would be co-hosted by New Zealand, although this was not expressly outlined in the contract. Fraser asked the IRB for recompense of the estimated \$NZ 5.2 million in advertising revenue it expected to lose (due to the differences in time zones between New Zealand and Australia, the lost matches would be played at least two hours later rather than peak viewing time in New Zealand). Furthermore, the broadcaster would incur promotional and marketing costs in preparing to sell advertising space that was now less attractive than if games had been hosted in New Zealand. Fraser admitted that he could only push these concerns to the IRB on moral grounds. He said that TVNZ would take a different attitude to negotiations with the IRB for future events if it continued to believe that no loss had occurred (Cleave, 2002b: A13).<sup>99</sup>

The IRB's decision to settle for a sole hosting arrangement clearly benefited the ARU. To maximise revenue, it confirmed that the All Blacks would play their matches at Australia's biggest metropolitan centres. Capacity crowds, including many expatriate New Zealanders, were likely to see the All Blacks play (Gray, 2002j: A1). But to the chagrin of the NZRFU, losing sub-host status placed greater pressure on the All Blacks' ability to win their matches. A strong performance from the All Blacks was needed to maintain lucrative sponsorships and to provide leverage in renegotiating the SANZAR contract with News Corp. The prospect that the All Blacks would play a semi-final in New Zealand had been a feature of the sub-host agreement. Not only were rugby supporters

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<sup>99</sup> Later, when TVNZ tabled its 2002 financial statements in Parliament, it registered a writedown of \$NZ 5.2 million in expected revenue. TVNZ attributed this to the NZRFU's loss of sub-hosting rights (Barry & Gardiner, 2003: A1).

denied the chance to see their team playing on home ground, losing sub-hosting status meant a more difficult draw for the All Blacks (Gray, 2002k: B6).<sup>100</sup>

The kudos of winning the RWC is no longer just measured in national glory. Victory translates into greater leverage for renegotiating broadcast and sponsor contracts. Sponsors and advertisers would gain commercial advantage by being associated with the world's leading team and in turn the NZRFU could charge more for the association. Winning the RWC crown would have also enabled the NZRFU to leverage greater commercial advantage from IRB members such as England when the All Blacks played offshore.<sup>101</sup> It was therefore its top priority for its 2003 financial year (Long, 2003a).<sup>102</sup> In its 2002 annual report, the NZRFU had apportioned 25% of points allocated within the year's balanced scorecard to winning the final. The scorecard is a measurement tool that matches strategic and operational goals alongside internal management (Kaplan & Norton, 1996: 24 - 29) (NZRFU, 2003: 20). In contrast, winning the 2003 Tri-Nations competitions was allocated 7.5 points (or 7.5% of the overall 100 points of the balanced scorecard). Various goals to be achieved within the NPC were together allocated just 5 points (NZRFU, 2003: *ibid*).

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<sup>100</sup> In all previous RWC tournaments, the All Blacks had faced either Scotland or Canada at quarterfinal stage; neither team has ever beaten the All Blacks. Had the NZRFU remained as sub-host, the draw would have been varied to ensure a favourable passage to the quarterfinals and Scotland was again the likely quarterfinal opponent. However, with the entire event hosted in Australia, the All Blacks would face South Africa (or the equally strong England, if South Africa had beaten England in the first round). Either opponent would have been the toughest ever played by the All Blacks at quarterfinal stage (Gray, 2002k: *ibid*). In contrast, it would be sole-host Australia that benefited from trouble-free group games. It would play Scotland in the quarterfinals and wouldn't meet any of the top four teams until semi-final stage (Unattributed, 2002v: B6).

<sup>101</sup> Under current international arrangements, when England and New Zealand play home and away matches against each other, the size of the television audience in the UK, complemented by England's far bigger match venues, means the NZRFU only receives 15% of the shared profit (Hinton, 2001a: B1).

<sup>102</sup> The other two priorities for the NZRFU's 2003 financial year were working on its plan for renegotiation of its SANZAR/News Corp broadcasting rights and preparing a review of all the competitions involving New Zealand (Long, 2003a: *ibid*).

As part of a twelve-month campaign to win the RWC, the NZRFU confirmed it would spend an additional \$NZ 2 million on specific RWC expenses (less any return from the IRB for participating in the event). This included assembling the team a month before the RWC and maintaining a full squad of 30 players during the six-week tournament, thereby raising the twelve month player budget to \$NZ 13 million (Johnstone, 2002d: B1). The tournament budget also included the cost of assembling a large squad prior to the 2003 Super 12 season for conditioning, skills training and fitness assessments. Earlier, in support of the coach's RWC planning, leading All Blacks had been rested from the end of season tour to the UK in 2002. A handful of new, young players were introduced into the All Blacks squad for those matches (Johnstone, 2002d: *ibid*). As well as further increasing the NZRFU's All Black salary bill, this tactic demonstrated that the NZRFU was willing to risk losing tour matches with an inexperienced team. Of primary importance was the 2003 RWC campaign. Despite a New Zealand Herald editorial that claimed a close loss to the England team on the northern hemisphere tour by the All Blacks' under-strength 'second team' provided "glory despite (the) loss", such a strategy was a radical departure from All Black tradition (Unattributed, 2002w: A16). The All Blacks' near invincibility on the world stage had previously been defended at every instance with the selection of the best team possible. However, commercial imperatives now required a different attitude.

Despite its long rugby tradition, the NZRFU may not get the chance to host any future RWC tournaments. After agreeing for France to host the 2007 RWC, the IRB started to lobby for the USA and Japan to lodge bids for the 2011 tournament. Neither country has ever reached the quarterfinals in any previous RWC tournaments. However, IRB CEO, Mike Miller, wants to broaden the appeal of the game and take the RWC outside of the main players. "(Japan) has a

good tradition, strong economy and ability to organise a major event, as we saw with the FIFA World Cup,” said Miller (Smith, 2003d: 9). Should the IRB continue with this strategy, New Zealand would be unlikely to host future RWC tournaments. Although sponsorship and hospitality revenue would provide good returns, it is the ticket and broadcasting revenue that will drive decisions about future venue selections. In particular, it is a moot point whether New Zealand audiences could buy the nearly two million tickets sold at the 2003 RWC. An average ticket price of \$A300/seat for the semifinals and finals in Australia would have been hard to absorb within New Zealand’s far smaller economy (Smith, 2003e: 1). For New Zealand to consider lodging a bid for the 2011 tournament or subsequent RWC events, it would need to start planning to build a national stadium with a capacity of 80,000 to bring the revenue required by the IRB. Although the NZRFU would want to be part of a major stadium project, to cover significant capital costs this would need to be a multi-purpose venue that could be used many times throughout the year and not solely for sports (Mirams, 2003b: B5) (Gray, 2003a: C14).

### **On-Field Performances and Commercial Implications**

A desire by the IRB to maximise its return from the 2003 RWC led to further complications for leading unions. To retain more revenue, the IRB decided against providing a winner’s purse for the best team. This contrasted with the provision of a winner’s purse at sporting events such as cricket’s ICC World Cup One-Day tournament and FIFA’s World Cup in which many of the leading RWC nations also participate (Unattributed, 2003l: D3) (Unattributed, 2003m). However, the IRB had not offered a winner’s purse at the 1999 RWC either (the first Rugby World Cup held in the post-professional era). At that event, the NZRFU with support from corporate sponsors, announced it would pay each player \$ NZ 40,000 if the All Blacks won the RWC; but with the team losing in

the semi-finals, the bonus was never paid out.<sup>103</sup> Following the precedent it had set, the NZRFU proposed a \$NZ 40,000/player winner's bonus for the 2003 event, believing this was acceptable to the players (Johnstone, 2003b: B4). However, lucrative win bonus offers to players of other unions encouraged the All Blacks to re-open negotiations (Rattue, 2003c: C22).<sup>104</sup> In a deal that was contingent on the players signing a controversial new RWC participation agreement by a date set by the IRB, the NZRFU raised its winner's bonus to \$NZ 50,000/player (Clever, 2003b: A1).<sup>105</sup>

The IRB's participation agreement formed part of the conditions for each rugby union's involvement in the tournament (Clever, 2003b: *ibid*). The agreement, especially the IRB deadline for signing, became a significant leveraging tool for players and their representatives (Gray, 2003b: C16). With players allowing the New Zealand Rugby Players Association (NZRPA) to negotiate on their behalf,

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<sup>103</sup> Each member of the winning Australian rugby team received a bonus of \$A 30,000 from the ARU for winning the 1999 tournament (Unattributed, 2003n: C13).

<sup>104</sup> In contrast, the Australian Rugby Players Association, on behalf of the Australian team, stopped short of challenging the ARU in the Australian Supreme Court for an additional \$A 50,000 to the \$A 200,000/player offered by the ARU (Clever, 2003a: B4). It was also reported that French players stood to gain \$NZ 360,000 each if they won the RWC and South Africa's players \$NZ 250,000 (Unattributed, 2003o: C14).

<sup>105</sup> The participation agreement was a new development from previous tournaments. It required signatures from each participating nation's top 50 players to allow, among other things, the IRB to make use of intellectual property rights of players (primarily their images and signatures for merchandising) to assist in promoting and earning more money from the event (Unattributed, 2003m: *ibid*). The agreement was not dissimilar to the rights players give up to the NZRFU in their individual contracts. But while the players are well paid by the NZRFU, the IRB was not providing any recompense to players. The agreement was also in contrast with those used for the FIFA World Cup and ICC World Cup cricket tournament. Although intellectual property rights were signed over by the players for those events, both offered substantial winners' purses for players (Johnstone, 2003b: *ibid*). The IRB refused to deal directly with players or player unions or their representatives in negotiating the clauses of the agreement. As a consequence, the IRB and RWCL were heavily criticised by the International Rugby Players Association (IRPA) through chairman, Tony Dempsey. As well as highlighting the inconsistency of the IRB's refusal to follow the precedent set by other major sports, Dempsey described the IRB as being "out of step with modern global trends" and wanting to "have their cake and eat it too" (Unattributed, 2003k: *ibid*) (Unattributed, 2003j: *ibid*).

an impasse between the NZRFU and the All Blacks developed.<sup>106</sup> NZRFU CEO, Chris Moller, intimated that a 'second team' might need to be selected if leading players refused to sign the participation agreement (Unattributed, 2003p). Facing the risk of an under-strength New Zealand team, the IRB chairman, Syd Millar, confirmed in a television interview that the NZRFU would be in serious breach of RWC participation requirements if signed player participation forms were not delivered by the date stipulated (Rattue, 2003d: C14) (Unattributed, 2003o: *ibid*).<sup>107</sup>

The NZRPA, itself funded by the NZRFU, argued that if the All Blacks were to win the World Cup, the NZRFU would be better placed to negotiate more favourable terms with broadcasters, sponsors and offshore unions (Gray, 2003c: D9).<sup>108</sup> Therefore, the NZRPA wanted \$NZ 120,000 per player from the additional revenue it believed the NZRFU would earn from the All Blacks. A newspaper article revealed that the NZRFU stood to earn as much as \$NZ 2.5 million from bonuses it had negotiated from its sponsors should the All Blacks win the RWC. The NZRFU would also receive \$NZ 900,000 from the IRB by the terms of the participation agreement (Clever, 2003c: B4). Against this, All Black preparation including training, travel and accommodation was estimated by the NZRFU to be at least \$NZ 2.3 million. The NZRFU argued that any additional revenue earned as a consequence of winning the RWC was needed for development of the game throughout New Zealand (Clever, 2003c: *ibid*).

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<sup>106</sup> The NZRPA was affiliated to the International Rugby Players Association (IRPA).

<sup>107</sup> Millar had replaced Vernon Pugh, initially as acting IRB chairman, in September 2002, while Pugh battled kidney cancer. Millar was confirmed as chairman after Pugh's death in April 2003, (Unattributed, 2003q).

<sup>108</sup> The NZRPA receives an annual grant of \$NZ 250,000 from the NZRFU (Gray, 2003c: D9). Although this financial support from an employer is inconsistent with the standard relationship between a union-like representative of workers and the employer, the grant stems from the accord reached with the NZRFU by the All Blacks during the introduction of professional rugby in 1995 (Fitzsimons, 1996: 300).

NZRFU officials also announced that most All Blacks were already earning between \$NZ 265,000 and \$NZ 400,000 each (Unattributed, 2003r: 9). It sought to counter criticism of its stand against the All Blacks (and the NZRPA) that appeared to risk jeopardising the team's chances at the RWC.

Eventually, the NZRPA accepted the NZRFU's offer to obtain Labour Department Employment Relations mediation (this was sought under the collective agreement between the players and the NZRFU). The result was a compromise. On 30 July 2003, a maximum win bonus of \$NZ 80,000/player was agreed upon at a potential total cost to the NZRFU of \$NZ 2.4 million for the squad of 30 players (Holt, 2003: B7).<sup>109</sup> The NZRFU also agreed to indemnify the All Blacks against any on-field fines incurred during the tournament. Part of the compromise required the NZRPA and the NZRFU to mutually develop incremental revenue through other commercial means after the tournament (Unattributed, 2003s: C16). This would earn the revenue the NZRFU needed to pay for the additional bonus. How the two organisations would work together was not specified.

After the bonus standoff was resolved, the NZRFU unsuccessfully lobbied the IRB to gain a block of RWC match tickets for New Zealand fans. The IRB's agreement with the ARU allowed for just 3,000 tickets to be made available to New Zealanders as part of rigid travel and accommodation packages approved by the RWCL (Taylor, 2003b: A5). Each package included a \$A 1,000 royalty levy payable for each ticket sold in non-host countries. To avoid paying the ticket levy, New Zealanders could buy tickets directly from the ARU in Australia, have them posted to an Australian address and then independently organise their

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<sup>109</sup> Players would each receive \$NZ 2,000 for winning the qualifying pool matches and \$NZ 13,000 for a quarterfinal win, \$NZ 15,000 for winning the semi-final and reaching the final; and another \$NZ 50,000/player should the team win the final (Holt, 2003: B7).

travel and accommodation.<sup>110</sup> The IRB's response to the NZRFU's request for tickets to be made available at face value (excluding the RWCL ticket levy) was that such tickets would only be available for, and in, the host country. As a consequence of losing sub-host status, New Zealand would be treated like any other non-host country. The high costs of attending the RWC, including hotel and flight arrangements and minimum stay periods set by RWCL, affected sales of RWC tickets in New Zealand (Hart, 2003: D2). Internet-based ticket agents operating from Australia could also easily undercut New Zealand-based travel packages (Tourelle, 2003: C16). An announcement by ARU CEO, John O'Neill, encouraging overseas fans to buy seats via Australian internet-based travel agents, led to legal action being considered by New Zealand travel agents (Mirams, 2003c: B2) (Unattributed, 2003s: 14).<sup>111</sup>

A 10-22 loss to hosts Australia at semi-final stage brought the NZRFU's RWC aspirations to an abrupt end (Drake, 2003: C16) (Johnstone, 2004). To its disadvantage, the All Blacks' path through the four-match pool round of the RWC was relatively easy and its matches were largely one-sided affairs.<sup>112</sup> Italy, ranked 13<sup>th</sup> in the world and Canada, ranked 16<sup>th</sup>, both protested at a draw that allowed insufficient time to adequately recover between matches. Both teams fielded an under-strength team in their matches against the All Blacks (Rattue, 2003e: D6). When Wales also declined to field a full-strength team against New Zealand, its quarterfinal against South Africa became the All Blacks' first genuine competitive match (Mirams, 2003d: B1). The All Blacks gained tremendous

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<sup>110</sup> A package sold in New Zealand that covered the final and play-off for third and fourth would cost \$NZ 4,000; in contrast, if organised independently via an Australian-based contact, a similar package including match tickets, accommodation and travel, may have cost between \$NZ 1,500 and \$NZ 2,000/person (Taylor, 2003b: *ibid*).

<sup>111</sup> Meeting demand for tickets, and not just from New Zealanders, resulted in official vendors of tickets contending with as many as 15 illegal ticket-sellers worldwide (McNabb, 2003).

<sup>112</sup> In fact, the All Blacks' achieved a tournament record for points scored during its four pool matches (Unattributed, 2003u: C19).

acclaim for its comprehensive win over the Republic, but the team was proven short of sufficient hard, competitive matches when it played Australia a week later (Gray, 2003d: C16) (Cleaver, 2003d: B2).

The 2003 RWC final between Australia and England attracted a capacity audience of 83,000 people and was won by England with seconds remaining in extra time. It was rated among the best matches ever played in the history of the game and certainly the best in the 16-year history of the Rugby World Cup (Zavos, 2004a: 61) (Mirams, 2003e: B1). The win was lauded as England's long-awaited first major sports event that the country had won since its soccer team won the FIFA World Cup in 1966 (Mehaffey, 2004: C18) (Gray, 2003e: C16).<sup>113</sup> However, with the IRB charging as much as \$NZ 17,000/minute for footage of the final, the BBC was prompted to ban the screening of England's greatest sporting moment in 37 years. In England, only broadcaster ITV was able to show scenes from the final once the tournament finished (ITV had paid \$NZ 27 million for the rights to the RWC) (Unattributed, 2003v). But access to footage for television news expired 24 hours after the final with all video becoming the property of the IRB. The IRB owns video footage of all RWC matches, excluding the 1987 tournament (Unattributed, 2003v: *ibid*).

From a purely financial perspective, the 2003 RWC was undoubtedly a tremendous success and far exceeded the IRB's profit expectations.<sup>114</sup> The event attracted a total attendance of 1,837,547 and ticket sales of \$A 202 million, earning a total profit approaching \$A 230 million, including \$A 45 million for the ARU and \$A 190 million for the IRB. Its return also included about \$A 140

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<sup>113</sup> Underlining the national importance of the England win, the entire squad of 31 players was recognised in the Queen's 2004 New Year Honours list with most receiving MBEs, while the team's coach received a knighthood (Unattributed, 2004e: C18).

<sup>114</sup> IRB Chairman, Syd Millar, said shortly before the tournament started that he expected the 2003 RWC to earn a profit of \$NZ 135 million to \$NZ 147 million (Unattributed, 2003w: D1).

million earned through commercial backing and sponsorship of the event (Glover, 2003: C12). In hosting the tournament, the Australian economy experienced a major rise in retail sales and benefited from 40,000 overseas visitors to the event; an overall economic contribution of almost \$A 1 billion (Unattributed, 2004f) (Batchelor, 2003: C6). Nevertheless, the focus of the ARU on making a strong return meant that high ticket prices were blamed for over 11,000 seats unexpectedly going unsold at the All Blacks/South Africa quarterfinal in Melbourne. Another 6,500 seats remained unsold at the Wallabies/Scotland quarterfinal match at Suncorp Stadium in Brisbane, a match that despite featuring the home team drew the second lowest crowd figure recorded at the venue during the tournament (Unattributed, 2003x: C15).

The commercial pressures that shaped the event were also apparent during the medal ceremony following the RWC final. To appease live broadcasters whose schedule didn't allow for extra time, the IRB Chairman, Syd Millar, rather comically rushed the players' medal ceremony. He was broadcast almost flinging medals to the Australian runners-up, while taking a more diligent approach for the winning England team, treating its players as "if they were long-lost sons" (Barclay, 2003: C14). Of far greater significance was Millar's admission that the tournament's schedule had been biased to ensure the teams with the largest home television audience would receive preferential treatment (Solly, 2003). All eight of the leading rugby nations were favoured with match schedules that gave them every chance to reach the quarterfinals (which they all subsequently achieved), leading to an air of inevitability about most matches. Only Australia, in its win over the All Blacks, enjoyed an upset result (Unattributed, 2003y: A14). Most leading nations played their matches during the peak viewing periods of Friday and Saturday evenings. Weaker teams with smaller television audiences for rugby were each placed in pools of five

alongside two of the top eight teams. This virtually guaranteed that the weaker teams would be very unlikely to be one of the two qualifiers from each pool.<sup>115</sup>

Sacrifices incurred by the weaker rugby nations drew little sympathy from the IRB.<sup>116</sup> Its policy was to maximise revenue from the RWC, but that would nevertheless ensure the preparation and performance of weaker teams was severely compromised by the deliberate tournament scheduling. Chairman Millar argued that the schedule had been managed to achieve the greatest broadcast revenue from the tournament, thereby allowing the IRB to assist smaller rugby nations after the RWC (Linden, 2003). Yet poor results from the weaker teams encumbered by an unfair tournament schedule worsened these teams' potential for earning future broadcast support, matches and sponsorship. Poor RWC performances ensured that they would become more - rather than less - dependent on IRB funding. Some warned that they would not be able to attend the next RWC. They blamed insufficient funding and professional club teams that flaunted IRB rules and prevented players from representing their respective countries, particularly Samoa, Georgia and Tonga (Corrigan, 2003: 13) (Linden, 2003: *ibid*) (Unattributed, 2003z).<sup>117</sup> The ARU, fearing smaller match

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<sup>115</sup> Some lesser teams were scheduled only 14 days to play their four pool matches (Tonga was required to play three matches in nine days), whereas the All Blacks, Scotland and other major rugby nations had as many as 22 days for the same number of matches (Gifford, 2003: B5). This stuck in the craw of smaller nations; most had struggled to bring together sufficient resources to attend and be competitive at the RWC. Coaches for Tonga and Namibia also criticised refereeing decisions in their matches that favoured the bigger playing nations; referees appeared influenced they contended, by rugby's pecking order and the opinion that smaller nations didn't necessarily know or keep to the rules. This was despite many of these players consistently playing at professional level in Super 12 and European club leagues (Rattue, 2003f: C16).

<sup>116</sup> For example, the semi-amateur Canadian team hosted a series of dinners to raise money to contribute to their players' daily per diem, while the Fijian team struggled to cover the cost of meeting an IRB edict requiring all competing nations to supply 30 autographed jerseys. The revenue earned from the sale of each jersey was destined for the IRB, rather than the unions themselves (Quinn, 2003) (Bingham, 2003a: A20).

attendances for games featuring under-strength teams, was among those that challenged the IRB's lack of support for smaller nations. In particular, it requested sanctions be placed on overseas clubs pressuring players to withdraw from the IRB competition (Unattributed, 2003ab).

The IRB has not changed its stance for the scheduling of the 2007 RWC in France. The draw for the eight IRB foundation members has already been conducted for the event (Unattributed, 2004g: D4). Again, each of the four pools will have two of the top eight teams with all other teams required to progress to the World Cup only after regional qualifying competitions. But as a consequence of only two teams advancing from each pool, the quarterfinalists are effectively confirmed almost 3½ years prior to the event (Bills, 2004: C18) (Gray, 2004b: D4).<sup>118</sup> Knowing the likely quarterfinalists provides the IRB with a stronger commercial position when it negotiates with broadcasters and sponsors for the 2007 event. With all eight leading rugby nations almost certain to reach the quarterfinals, the IRB can leverage from the commercial appeal each team has in its home market.

For the NZRFU, the cost of involvement in the RWC was significant. After offsetting participation fees expected from the IRB, net cost was anticipated at \$NZ 1.6 million. This included \$NZ 500,000 in match bonuses for the matches

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<sup>117</sup> Tonga in particular, was disadvantaged by as many as ten of their overseas-based players declining to join their national team, opting to ensure their financial security and stay with their, mostly European, club sides (Unattributed, 2003aa: C11).

<sup>118</sup> A fairer option would be committing to a seeding structure where one each of the top three semi-finalists of the last RWC is placed in three of the four pools of six teams. The remainder of the tournament participants would be randomly drawn for the remaining places in each pool. While ensuring that the top three teams that excelled at the last RWC are given every opportunity to progress beyond the initial pool stage (and also making the third/fourth playoff more compelling), there is also a genuine opportunity for teams outside of the top three to be among the two teams from each pool to qualify for the quarter-finals. This, added to any significant change in form in the any of the top three leading teams, would ensure a less predictable series of matches. This should lead to a more interesting competition with a greater chance to attract the imagination of rugby and non-rugby fan alike, including those in developing rugby nations.

won (Long, 2003b). The repercussions in New Zealand after the 2003 RWC, although not as dramatic as that which followed the 1999 event, were still apparent (Perrott, 2003a: *ibid*).<sup>119</sup> A representative from the NZ finance industry believed that falling business optimism partly resulted from the All Blacks' semi-final loss to Australia. Another said that people would be spending less for a few weeks as a consequence of feeling deflated or depressed by the loss (Fallow, 2003: C1) (Unattributed, 2003ac: A1). The NZRFU demonstrated its own disappointment when the coach's position was readvertised immediately after the tournament. Given the enormous domestic expectation of a World Cup victory, the NZRFU had little option but to ask incumbent coach, John Mitchell, to reapply for his job (Long, 2003c).<sup>120</sup> After a period of media-fuelled expectation, Graham Henry, former coach of Wales and the British Lions, was awarded the All Black position (Smith, 2003f: 1) (Gray, 2003f: D1).<sup>121</sup> However, demonstrating an unwillingness to commit to a coach long term, the NZRFU confirmed that Henry would have to re-apply for his job after two years. If he were successful, this would extend his contract to include the 2007 RWC (Leggat, 2003: D2).<sup>122</sup>

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<sup>119</sup> The All Blacks team ended its RWC 2003 campaign by beating France in the play-off for third and fourth. This was a step ahead of its performance at 1999 when a semi-final loss was followed by a loss (in the play-off for third and fourth) to South Africa.

<sup>120</sup> The enormity of the pressure of expectation on Mitchell and the All Blacks to win the 2003 Rugby World Cup led another rugby critic to suggest that the international civil disturbance involved in the fall of Iraq during 2003 would be nothing compared to the scenes in New Zealand if the All Black team was to return home without the 2003 Rugby World Cup (Hinton, 2003: B1).

<sup>121</sup> A National Business Review/Philips Fox poll indicated that 54% preferred the incumbent, John Mitchell, with 32% preferring Graham Henry, the only other candidate (Smith, 2003f: 1).

<sup>122</sup> Rugby historian, Paul Verdon, in a column for the National Business Review, described the All Blacks coaches job as "lonelier than being the prime minister," a view corroborated by the comments of former Prime Minister, Jim Bolger, who believed the role attracted more criticism than leading the nation, such is the parochialism of New Zealand's rugby public (Verdon, 2002c: 50).

The decision to overlook Mitchell contrasted with his coaching record. Despite the RWC semi-final failure, Mitchell had become the All Blacks' third most successful coach in history and the most successful in the professional era.<sup>123</sup> His coaching techniques and teambuilding skills helped the All Blacks to overwhelmingly defeat South Africa and Australia in the 2003 Tri-Nations competition. The All Blacks also regained the Bledisloe Cup from Australia that had eluded the team for three seasons. Even after the RWC, the IRB still regarded Mitchell's All Blacks (according to its points rating system) as the world's second best team after England (Budge, 2003). Both Australia and fourth-placed France retained their respective coaches, despite inferior records to that of Mitchell over the previous two years. The NZRFU however, was not so forgiving (Johnson, 2004: 102).<sup>124</sup>

The coach, his selectors and co-coaching team had failed to appease the interests of media and sponsors. These were identified by the NZRFU's CEO as areas in which Mitchell would be required to "raise the bar" to retain his job (Perrott, 2003b: A1) (Gray, 2003g: C13) (Mirams, 2003f: B2).<sup>125</sup> Partly in response to his unwillingness to court the media, many vociferously criticised Mitchell and his co-selectors as the tournament unfolded, saving their strongest criticism for the

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<sup>123</sup> The All Blacks' most successful coach, Fred Allen, (with a 100% win record during 1966 - 68) believed that "there was nothing wrong with Mitchell's coaching, he's a top coach" (Verdon, 2003g: 56).

<sup>124</sup> In negotiating his initial appointment to the role, Mitchell had requested that to have a realistic chance to win the tournament, he would need to have responsibility over all facets of the All Blacks including team management and media relations. Adopting a single-minded approach, he courted controversy by excluding leading players from his All Black squads and restricting media access to players. Media commentators speculated about, and in some instances admired, Mitchell's use of a life coach, his adherence to coaching philosophies drawn from American NBL coach, Phil Jackson, and Mitchell's knowledge of the battle tactics expounded in the 2,000 year-old text of Chinese warrior, Sun Tzu (Jones, 2003: 7 - 11).

<sup>125</sup> Certainly, Mark Shaw, one of two co-selectors Mitchell had appointed to support him, didn't endear himself to sports journalists. A former All Black, Shaw uproariously referred to New Zealand sports media as having "a lot of fleas in the system", in an interview published in the NZ Listener just days before the start of the 2003 tournament (Rabbitt, 2003: 27).

All Black loss to Australia (Kirk, 2003: C13).<sup>126</sup> Some claimed that the coach's tendency to protect players from the public and media had led to the All Blacks becoming one of the tournament's least popular teams, a scenario that constrained the NZRFU's relationship with sponsors (Mirams, 2003g: B5). In his defence, Mitchell insisted that his immediate priority was on-field performance. But the NZRFU, in making the coach's job contestable once again, revealed other requirements. It needed the All Black business to embrace the breadth of commercial responsibilities required in the increasingly fickle world of professional competition (Gray, 2003h: C16). The coach's brief would now be restricted to coaching. In a direct reversal of the structure in place under Mitchell, the coach would report to the All Blacks manager. His role would include leading the All Blacks off the field and in the commercial arena, promoting better contact with fans, sponsors and the media. With responsibility for orchestrating the entire All Black operation, the manager, rather than the coach, would report directly to the NZRFU Chief Executive (Gray, 2004c: C20).

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<sup>126</sup> Despite an otherwise lacklustre season (including a major loss to the All Blacks during the Tri-Nations and the loss to New Zealand of the Bledisloe Cup) and expectations commensurate with its clear underdog status, the Australian team was as comprehensive in its win over the All Blacks as the New Zealand team was over the South Africans a week earlier. This only served to provide ammunition for critics that suggested the All Blacks team was rather mediocre after all, had chosen the wrong tactics, was poorly led and had ultimately played far below its ability and expectations at a time when the team's need to play at its best was at its greatest (Kirk, 2003: C13) (Mirams, 2003c: B4).

## Conclusion

Realising the commercial potential of the Rugby World Cup, the IRB took control and progressively commercialised the tournament. The Rugby World Cup had become the IRB's primary source of revenue to administer and develop the international game. Although New Zealand had hosted the inaugural RWC in 1987, the IRB's changing revenue objectives ensured that sub-hosting the 2003 tournament would be a different proposition. However, the NZRFU's focus on proposing its own criteria for the event, in particular earning sufficient revenue to justify its involvement, demonstrated an insular approach to its management of negotiations. Because of the discrepancy between the financial projections of the ARU and NZRFU, the NZRFU board and its chief executive attempted to influence the intent of the IRB. But in not appreciating the commercial objectives of the IRB, the NZRFU risked losing all involvement in the tournament. A last ditch appeal to the IRB by the NZRFU to retain its sub-host status sought to highlight New Zealand's influential role in the development of rugby. This was proven ineffective in the unforgiving commercial environment in which the IRB operated.

The attitude of the NZRFU board toward hosting RWC matches differed from those at the game's grassroots. The board, while attempting to protect the financial impact that hosting the tournament would have on funding development of the domestic game, lacked the full support of its provincial unions. Their focus was on building support for the game at grassroots level. This reflected New Zealand's experience in 1987 (when the success of the inaugural tournament gave renewed momentum to development of the domestic game). In 2003, hosting RWC matches in New Zealand would have assisted local development of the game greatly. The financial difficulty experienced by smaller unions in the professional era made promotion of the game at grassroots level

critical for their survival. In losing sub-hosting rights, the provincial stakeholders of the NZRFU, who valued highly the cultural importance of hosting the tournament, dismissed the board. But it was also a matter of national importance that New Zealand be involved in hosting the world's leading rugby event. The Labour government recognised this and sought to lobby the IRB to ensure that sub-host rights remained with the NZRFU. Notwithstanding the benefit this would provide the government in an election year, the cultural and social importance of the RWC was underlined by the economic advantage to New Zealand. Many communities and local businesses stood to benefit from matches being hosted in stadia upgraded with local funding and with the RWC in mind. The tourism industry planned for short-term visitor revenue and the expectation of return visits in years to come.

The need to adequately prepare the All Blacks for the tournament also ensured that the stakes were high. The NZRFU rated the All Blacks' performance as critical for the future of the game. A top performance at the RWC would strengthen the NZRFU's position for renegotiating the SANZAR and News Corp broadcasting relationships and allow it to achieve its revenue equalisation objectives with England, Australia and France. Furthermore, encouraging positive media support and mutually beneficial sponsorship relationships would assist in generating the NZRFU's income. However, the NZRFU's loss of sub-host rights meant the All Blacks weren't able to play in front of home crowds. Although this made the coach's task more difficult, his inability to satisfactorily court media and sponsors proved critical in measuring his effectiveness against NZRFU's commercial criteria.

Providing opportunities for corporates to promote their brands to a global audience via the RWC has enabled the IRB to earn its income. To provide the global audience that the IRB sponsors require, primary consideration is given to

ensuring that the tournament is attractive for a global television audience. Rather than using the event to determine the best rugby playing nations, the revenue goals of the IRB take priority. In using the RWC to fund the international game, the IRB has progressively sought to commodify the RWC into saleable packages for sponsors and broadcasters. It ensures that the bigger rugby nations feature in the tournament and that matches are played at times and venues that will suit broadcast audiences and sponsors. Large venues capable of hosting 70,000 or more spectators also provide critical revenue for hosts of the tournament once the IRB's commercial demands have been met. In effect, host unions are expected to subsidise the IRB's contractual obligations with tournament sponsors. As a consequence, smaller rugby playing nations are disadvantaged by decisions favouring the nations that will generate the most revenue. The IRB's commercial objectives effectively undermine the smaller rugby nations it claims to be assisting. Those nations most vulnerable are also those that are least able to resist the IRB's commercial demands. An imperative requirement to earn the revenue to boost the game around the world is taking precedence over the tournament and the game itself.

Without a change in commercial focus from the IRB, future RWC events will only be hosted in rugby nations that have venues of sufficient size to generate ticket sales and huge, lucrative television audiences. Commercial revenue consistency with regard to match venues, match broadcast times and opportunities for global sponsors, point to the fact that a sole host arrangement is the easiest and most cost-effective option for the IRB. There are only a limited number of countries able to meet these criteria if the event is to achieve the IRB's financial goals. These countries will continue to benefit from the revenue that the RWC will generate but at the expense of the smaller, financially vulnerable rugby nations. Rugby sponsorship money will effectively be drawn away from those countries that are unable to be involved in hosting the event.

The IRB's overwhelming commercial focus will ensure that the commercial benefits of the RWC are generated by those nations with the greatest potential for maximising revenue. Consequently, despite being one of the world's leading rugby nations, New Zealand is effectively excluded. It lacks the stadia and other vital criteria required by the IRB to subsidise its income gathering. Yet, the presence of the All Blacks is highly prized by the IRB (and other major rugby nations) as a means for generating international broadcast, sponsorship and spectator revenues. This implies a dislocation between international rugby's commercial goals and any desire for a fairly located international competition. As a handful of bigger rugby nations grow financially stronger, other rugby nations that are not able to draw on the same financial resources will be unable to host the Rugby World Cup tournament. In terms of world rugby generally, fewer international matches will be capable of attracting global audiences due to the increasing imbalance in the relative competitive strength of rugby nations. Smaller nations will be required to accept significant commercial burdens to hold matches. If New Zealand is to develop the infrastructure needed to bid for RWC hosting rights, rugby authorities will need to become more reliant on local and central government to underwrite development of the game.

## Chapter Six

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### **Broadcast Contract Renegotiations Represent a Particular Complexity for the Future of the Game**

Professionalisation of rugby allowed the popularity of the game to be exploited in ways that were inconceivable during the amateur era. Administrators, players and coaches of the NZRFU are no longer assessed solely by their ability to provide winning rugby. New Zealand's rugby union has also been forced to develop its own commercial direction within a highly competitive global marketplace. Failure to retain sub-host rights to the 2003 RWC required the NZRFU board to accept a new level of accountability for its decisions. The embarrassment endured by the NZRFU as it submitted to a major review of its negotiation processes was amplified by the All Blacks' loss of a must-win RWC semi-final. Subsequent criticism of the team's performance extended beyond the coaching staff and the players; of equal importance was the coach's poor management of critical relationships with media and sponsors.

The harsh commercial realities associated with the loss of RWC sub-hosting rights would have reminded the NZRFU to assiduously prepare for re-negotiation of the SANZAR - News Corp broadcast contract. This contract effectively constitutes the commercial backbone of the game in New Zealand. However, the revenue earned from other sources masks the importance of broadcast income to the NZRFU. Ultimately however, sponsorship and merchandising revenue is leveraged from televisual exposure. Although the All Blacks remained among the world's top teams, the NZRFU was reliant on its two SANZAR partners to ensure that it could retain sufficient revenue from the

broadcasting agreement to fund development of the New Zealand game. It had been stockpiling financial reserves in case the negotiation failed.

Without a large domestic economy to match its northern hemisphere rivals, the NZRFU requires strong on-field performance at all levels to attract commercial support. In preparation for negotiating renewal of the SANZAR and News Corp agreement, the NZRFU directed its provincial unions to assess their commercial futures in the context of a national review of all competitions. The review sought to address the negative impacts on the domestic game resulting from the professionalisation and commodification of rugby. It needed to ensure that the provincial game was sustainable and that it would not marginalize rugby's grassroots level. This was the traditional base of the game and had provided the competitive edge enjoyed by New Zealand teams during the amateur era. However, it was also the most vulnerable to the negative impacts of rugby's professionalisation. Meanwhile, New Zealand prepared to take advantage of the economic benefits generated by a British and Irish Lions tour during 2005. The NZRFU anticipated that this would provide a major fillip for all levels of the game.

### **Corporate Media and Sponsorship Relationships**

Negotiation of the SANZAR relationship with News Corp in 1995 was the catalyst for the advent of professionalism. This generated further commercial influences on how rugby is managed, administered, watched and played. Consequently, the significance of the NZRFU's relationship with News Corp is almost impossible to over-estimate. It was the main source of revenue for the first five years of the SANZAR and News Corp contract. By 2003 it still accounted for 50% of the NZRFU income (that was complemented by sponsorship revenue streams). This included financial hedging for fluctuation in

the value of the \$US currency (Moller, 2004: 8). The value of the News Corp relationship is measured not just in the cash that flows into the game but also in the commercial value of global television coverage. Matches featuring the All Blacks draw affluent global television audiences worldwide. This critical factor encouraged Adidas to negotiate a multi-year sponsorship agreement with the NZRFU. When the NZRFU renegotiated this relationship a year early in 2002, it did so to guarantee income from Adidas through to 2011. It enabled Adidas to promote its sports equipment via the All Blacks relationship during the 2003 World Cup (Tew, 2003a: *ibid*).

Worth an estimated \$NZ 20 million a year, the Adidas relationship spans the renewal period for the contract between SANZAR and News Corp. This ends in December 2005 and therefore the Adidas agreement provides some degree of financial confidence for the NZRFU. The All Blacks is the only rugby brand that Adidas promotes internationally (Hinton, 2002b: *ibid*). Adidas describes the association with the NZRFU and the All Blacks brand as “a long-term relationship with the most iconic brand in world rugby”. Adidas and the All Blacks are said to share “similar values and (a) common passion for sport” (Unattributed, 2003b: *ibid*) (Leggat & Jessup, 2003: D6). Nevertheless, this relationship would have been impossible for the NZRFU to negotiate if the All Blacks were not seen on television in markets desired by Adidas. It is very likely that the re-negotiated Adidas contract would include reference to the NZRFU retaining satisfactory television coverage in a renewed broadcast contract with News Corp.

Similarly, the NZRFU earns revenue from many other corporate brands such as MasterCard and Steinlager.<sup>127</sup> Some use their association with the All Blacks as a

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<sup>127</sup> The full list of sponsors acknowledged by Chairman, Jock Hobbs, in his speech announcing the 2004 NZRFU Annual Report, included Adecco, Air New Zealand, Coca Cola, Ford, Gilbert,

means of reaching an international audience, while others such as Telecom NZ focus on the domestic market.<sup>128</sup> For all sponsors, association with the Super 12 and/or the All Blacks is only of value if matches are televised in the markets that sponsors are targeting. This is why the sports apparel retailer, Rebel Sport, agreed to be the naming rights sponsor for the New Zealand portion of the 2004 and 2005 Super 12. After having already tested sponsorship arrangements in New Zealand with cricket and basketball, Rebel Sport sought to extend commercial reach and market awareness of its brand (Hendry, 2003a: C4). For the retailer's group managing director, Rod Duke, the sports retail business in New Zealand meant "hanging on the shirt tails of rugby" (Anderson, 2004). Television exposure from its Super 12 relationship (estimated to be valued at \$NZ 3 million) coupled with on-field promotions and in-store merchandising, would play a vital role in supporting the company's expansion plans (Hendry, 2003a: *ibid*) (Chapple, 2004: C1).

It can be expected that News Corp is well aware of the dual sponsorship role that its broadcast relationship provides the NZRFU and SANZAR partners. However, a number of difficulties may prevent increasing or maintaining the value of the News Corp contract. Increased interest in the broadcast of UK and European rugby following the performance of the England team at the 2003 RWC may diminish the attraction of the southern hemisphere competitions. The Tri-Nations competition can no longer boast that it includes the holder of the Rugby World Cup. Furthermore, the three-team Tri-Nations is less able to produce unpredictable results than the Six Nations European competition. Just months after the 2003 RWC, coaches of the Six Nations teams were adamant that

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Lion Foundation, MasterCard, Philips, Sanitarium, Sky TV, Steinlager and Telecom NZ (Hobbs, 2004a).

<sup>128</sup> Telecom's ISP subsidiary, *xtra.co.nz*, was the lead sponsor of the New Zealand Super 12 in the 2002 and 2003 series, exposure that was valued in terms of the opportunity it provided to reach the ISP's target market.

their competition had superseded the Tri-Nations (Unattributed, 2004h: D4).<sup>129</sup> Even years before the 2003 RWC, this view was indirectly acknowledged when ARU chief executive O'Neill suggested that France and England should be included in an expanded Tri-Nations competition (Long, 2002). However, O'Neill's commercial desire to put more rugby on Australian television (to compete with rugby league and Aussie rules) wasn't shared by the NZRFU. Its chief executive in 2001, David Rutherford, believed expansion of the SANZAR competitions should come from the inclusion of other southern hemisphere teams (Rattue, 2001c: C3).<sup>130</sup>

### **Planning for the Future of the Game in a Dynamic Broadcast Market**

All three SANZAR unions have developed internal administration structures to manage the various accountabilities and commercial interests generated by the News Corp revenue. Each union now relies significantly on broadcast income and would be unlikely to survive in their current form without it. In 2001, the NZRFU sought to reduce its dependence on broadcaster revenue. One of its core governance and financial goals was to build reserves of \$NZ 50 million by 2004 that "would effectively enable us to survive one year without income while keeping the players and provinces funded in the interim" (Rutherford, 2002: 8). These resources would provide a buffer should re-negotiation with News Corp and SANZAR be less than favourable. In his announcement of the union's 2003 financial result, NZRFU Chairman Hobbs, confirmed "...there is a requirement contemporaneously to increase revenue and run our game in a prudent manner.

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<sup>129</sup> This opinion was reported as shared by then-Wales coach, Steve Hanson, a New Zealander who had developed his coaching skills with the Super 12 Crusaders team (Unattributed, 2004h: D4).

<sup>130</sup> O'Neill's suggestion was not shared by northern hemisphere rugby authorities. Notably, a former England captain argued that the series proposed by O'Neill was motivated by greed and would have dire consequences for the European club game and the Six Nations competition (Unattributed, 2002y).

Accordingly, it is pleasing to note that reserves have grown \$NZ 11.1 million and now stand at \$NZ 37.2 million" (Hobbs, 2004a).

During June 2003, the NZRFU CEO, Chris Moller, openly anticipated that renewal of the News Corp broadcasting contract would be conducted by the SANZAR unions acting as one (Moller, 2003). This appears essential. Individually, none of the partners have sufficient negotiating strength to attract the revenue now available under the tripartite agreement. At the same time, geographic distance prevents southern hemisphere unions from swapping their SANZAR allegiance for a northern hemisphere competition. SANZAR solidarity is necessary because News Corp may take advantage of differences in attitude and relative negotiating strengths among the partners. In the latter context, a number of resignations from the top echelon of South African rugby, following the team's failure to progress beyond the quarterfinals at the 2003 RWC left administrators inexperienced in SANZAR dealings (Rattue, 2004a: C18). Meanwhile, the ARU wants to exploit rugby's profile following the RWC to promote the game ahead of rugby league and Aussie Rules (although its chief executive resigned following the RWC).<sup>131</sup> The ARU objective requires more rugby on Australian television (through the admission of another Australian team into the Super 12).<sup>132</sup>

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<sup>131</sup> The ARU's chief executive, John O'Neill, ended his contract with the union a year early, in December 2003, shortly after the end of the RWC. He had been chief executive for eight years. In his second year, the ARU lost \$NZ 3.34 million and was technically insolvent. By the end of the World Cup, the ARU had made a profit of \$NZ 50.6 million. Later, he accepted a role as CEO of the Australian Soccer Association (Unattributed, 2004i: D4).

<sup>132</sup> A desire for rugby to become Australia's number one winter sport was regularly aired by the ARU (O'Neill, 2002b). The success of its national team has been a significant boost for the game in Australia. Although Australia lacks a provincial or club competition to rival New Zealand or South Africa, the Australian penchant for sport and its far larger population means it has more people playing rugby than New Zealand. Even so, rugby remains the third most popular winter sport in Australia (previously it was fourth until the National Soccer League changed to a summer competition).

Apart from the commercial benefit of providing more televised rugby, additional teams help the SANZAR unions retain more players in their home country. All three have suffered losses of elite players at the peak of their careers to European and Japanese club teams.<sup>133</sup> But much has changed in sports broadcast markets since the SANZAR agreement was first negotiated. A focus on delivering one-off, high profile test matches was one of the major requisites of the broadcast contract between SANZAR and News Corp. Although the ability to build significant profile for one-off matches quickly demonstrated the commercial value of rugby, it also meant the traditional tours that combined test matches with mid-week games against provincial unions became outmoded. Tours through New Zealand by South Africa, France, Australia and the British and Irish Lions had generated a national focus for the game. In the professional era, 15 to 20-match tours were considered too expensive to host. The commercial importance of winning test matches means that expanded touring squads (including large numbers of support staff) incur major accommodation and transport costs. Paradoxically however, one-off tests provide little opportunity to promote the game throughout a nation.

Clearly, there is a tension between money making and promoting the game. The IRB has acknowledged this by sanctioning longer tours within international rugby schedules from the 2005 season onwards (Unattributed, 2003ad: D5).<sup>134</sup> However, it is a demonstration of the changes brought about by professionalism that the revenue long tours will generate for host provincial unions and the

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<sup>133</sup> For example, a priority for Springbok coach, Jake White, after his appointment following South Africa's poor 2004 RWC performance, was to visit Britain to assess the player drain that had damaged his country's player resources. He approached leading players to encourage them to return to play in South Africa (Gray, 2004d: D14).

<sup>134</sup> During November 2001, NZRFU Chief Executive, David Rutherford, identified a return to longer tours as one of the priorities of the union. In reflecting on the 134-0 score line in a one-off match between England and Romania, Rutherford noted, "the present (international) schedule is neither generating financial benefit nor (is it good for) the development of the game" (Gray, 2001c: B15).

NZRFU is now keenly contested (Palmer & Diaz, 2004: A7). With the British and Irish Lions due in New Zealand during the 2005 season, the NZRFU's desire for longer internal tours is becoming a reality (Gray, 2001c: B15).<sup>135</sup> As the first Lions visit since the introduction of open rugby, the tour provides a catalyst for re-thinking the international rugby schedule. Development of a global rugby calendar is considered an option for managing player burnout by restricting the number of top-level matches. Longer tours might contribute to this thinking. They also help rugby nations to introduce new players in mid-week matches before graduating to the test arena. The tour also poses significant logistical challenges with the Lions to bring an unprecedented 44 players and a 26-strong management squad (Gray, 2004e: D3) (Unattributed, 2004k).

As with sub-hosting the RWC, the Lions tour provides a major economic opportunity. Although the Lions' 2001 tour to Australia cost the ARU \$NZ 3 million to host, the tour injected \$NZ 125 million into the Australian economy. A

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<sup>135</sup> To fund management of the team and pay salaries, the British & Irish Lions (an exclusively touring side that visits the southern hemisphere every four years) charge hosting fees and seeks to maximise commercial relationships with sponsors. In accordance with international rugby rules (that have their origin in the amateur era), the host nation pays for all accommodation and hospitality costs. The decision of Lions' management to tour with a minimum of 44 players and 26-strong support team places significant costs on the NZRFU. It is factors such as this that the NZRFU considers when agreeing the tour fee. Whereas the ARU was believed to have paid \$A 3 million to host a British and Lions tour side in 2001, it was anticipated that on the basis of New Zealand's smaller stadia and fewer revenue opportunities (as a consequence of a smaller economy), the NZRFU's fee would be close to \$NZ 1 million (Mirams, 2003: B2). Negotiation includes decisions regarding the number of matches played, where and against which teams. Commercially, it is beneficial for the NZRFU to host matches in large metropolitan centres against teams that will generate large gate sales. But with its focus primarily on winning the three-match test series, Lions' management favour playing easier matches between tests to ensure players remain fresh for the most important games. Reaching a workable compromise between the parties' commercial objectives is essential. Notably, the addition of an eleventh tour match was confirmed almost seven months after the initial tour schedule was released. With the extra pressures placed on the NZRFU to cover the costs of the tour, the Lions agreed to play a match against the Auckland union at Eden Park to help return more income for the union. The venue will also host the last test match of the tour just days later. Hosting the team in Auckland for two consecutive matches helps to restrict transport costs for the union. The NZRFU can also maximise revenue by hosting consecutive matches at the country's largest rugby stadium (Unattributed, 2004j).

similar economic impact is expected for New Zealand (Read, 2005: A1) (Mirams, 2003: B2). Learning from the experience of losing the 2003 RWC sub-hosting rights, the NZRFU has negotiated partnerships with central and local government and the tourism industry to cater for a possible influx of almost 40,000 tourists (including many without match tickets) (Long, 2004a). It wants to use the tour to prove New Zealand's capability and commercial capacity to host a Rugby World Cup, in terms of management of logistics and maximising income from extra sponsorship and higher ticket prices to all matches (Ford, 2005a: B2) (Paul, 2004b: 49). However, the NZRFU's negotiations with the English RU in particular, are now on more rigidly commercial terms than ever before. It would not allow the test series to go ahead without sufficient grandstand seats for its British & Irish tour supporters. Provincial union executives at the three test venues have incurred the ire of season seat-holders that have been required to pass over their right to grandstand seating. Their only concession is preferential booking rights for tickets not already sold as part of packages booked in Britain & Ireland (Unattributed, 2004l). For the general public however, demand for remaining tickets was so great that a national ballot system for all matches was introduced for the first time.

### **News Corp, Rugby and the Sports Rights Market**

A return to longer tours changes the context within which the Tri-Nations and Super 12 competitions are scheduled. The commercial imperatives under which the SANZAR partners now operate require careful management of rugby. They must provide meaningful matches for spectators and players while maximising opportunities to earn broadcasting revenue. Certainly sports coverage - including the SANZAR competitions - has been a major success for News Corp and its subsidiaries. In New Zealand, News Corp subsidiary, Sky TV, has built its 548,000-subscriber base around exclusive sports coverage, with coverage of

rugby critical to its success (Smith, 2004: 20 – 24). However, suggestions that the Tri-Nations competition would involve three to four week tours was turned down by News Corp. It would have left a ‘black spot’ in television programming for the country not involved in a tour.

News Corp continues to lead ownership of sports rights in a number of countries. It has bought sport in bulk, not out of inherent interest in sport but simply because televised sport attracts subscriptions and other forms of revenue for the broadcaster (Brown, 2003: 56 - 63). Nevertheless, during 2002 News Corp started divesting of some of its sports broadcast rights and reducing the book value of others. In Australia it relinquished control of NRL clubs and also took significant losses from its broadcast contracts negotiated in Europe and the USA (Jessup, 2002b: D5). This had the flow-on affect of reducing the commercial value of sports rights generally. Broadcasters are able to negotiate prices down (on a per match basis) simply due to the surfeit of supply. News Corp’s influence in the sports rights market is no better demonstrated than in negotiations for the televising of UK soccer. Administrators of UK’s Premier League sought to dilute the impact of News Corp’s monopoly by splitting up television rights for the League into four packages and then selling them individually. This backfired when News Corp’s UK subsidiary, BSkyB, won the auction for all of the packages<sup>136</sup>. The result was that BSkyB agreed to pay \$NZ 2.84 billion for exclusive rights to show 138 live matches of the top 20 English teams from 2004 to 2006 inclusive. However, this was 8% less than News Corp paid in June 2000 for more than twice as many games. European Union regulators that investigated the new deal confirmed that it provided BSkyB with an even greater monopoly than it had previously enjoyed (Unattributed, 2003ae:

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<sup>136</sup> News Corp is the largest shareholder in BSkyB with 35% of the company. No other shareholder owns more than a 1.5% stake (Unattributed, 2003ae: C7).

C7). From its expansion into sports, BSkyB is estimated to have captured more than three-quarters of Britain's pay-TV market (Unattributed, 2003af: C7).<sup>137</sup>

During 2003, Murdoch realised a long-term strategy to form a global network. Following approval of the US Federal Communications Commission, News Corp completed its purchase of US satellite market leader, DirecTV, after three years of negotiations with previous owner, General Motors (Gumbel, 2003: A18). With the contribution of DirecTV's 12 million-subscriber base in the US, News Corp now boasts an extensive broadcasting market that has tremendous purchasing power. Its network is linked across the globe via News' broadcasters; Sky Italia SpA in Europe, BSkyB in Britain, the Hong Kong-based Star Group in Asia and the Middle East, Foxtel in Australia, Sky Brasil Servicos in South America, Sky Mexico and its ownership of DirecTV and Fox Network in the US and its Sky TV Network in New Zealand (Hendry, 2003b: C1) (Unattributed, 2003ah: C3). News Corp's purchases in the US were followed by announcement of plans to shift its base from Adelaide where Murdoch began his career and to incorporate the company in the US where it now earns 75% of its profits (Ansley, 2004: C6).<sup>138</sup>

News Corp's aggressive acquisition of global media properties enables the use of media outlets to influence the value of News Corp-related products (Unattributed, 2003ai: C6) (Griffin, 2003: E3). The SANZAR relationship is no exception. For example, in early 2002 a front-page article in the INL-owned *Sunday Star Times* (at the time, News Corp owned a controlling 45% share of INL) sought to damage the perceived profitability of Sky TV's rival broadcaster,

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<sup>137</sup> As a consequence, the European Union Competition Commission provisionally ruled that, to reduce BSkyB's effective monopoly of premier league football, it would have to relinquish "licensing arrangements for up to eight high-quality matches" starting with the 2004/05 season. Starting in 2006, the League also agreed to sell the television rights to more than one broadcaster, to counter BSkyB's dominance of the market (Unattributed, 2003ag: C7).

<sup>138</sup> News Corp has long been treated in Australia as a foreign company as a consequence of Murdoch - who owns most of its shares - taking US citizenship in 1975 (Ansley, 2004: C6).

TVNZ, on the grounds that TVNZ could no longer afford to pay rights for top-rating sports coverage (Gaynor, 2003: C2). As well as commenting favourably about Sky TV's management of sports rights (compared to TVNZ), the article attempted to undermine the strength of SANZAR's negotiating position by questioning the commercial value of sports rights. Outgoing TVNZ Chief Executive, Rick Ellis, was quoted as saying that "sports rights have just become ridiculously priced". The article misleadingly claimed that the sports rights purchased by TVNZ for both the Olympics and the Rugby World Cup cost up to \$NZ 20 million each and that both lost money for the network (Maling & Laugesen, 2002: A1). Some months later, a report in rival newspaper, *NZ Herald*, confirmed a more accurate cost of the broadcast rights. (Australian company APN News & Media owned the paper, itself 40% owned at the time by Irish newspaper group, Independent Newspapers Plc (INP), the previous 100% owner of the *NZ Herald*.) The rights that TVNZ purchased for the 2003 Rugby World Cup was said to be worth about half of the \$NZ 20 million the *Sunday Star Times* had reported (Rosenburg, 2002: 67 - 72). According to the *NZ Herald*, TVNZ had paid \$US 10 million in 1996 for a rights package that included the 1999 Rugby World Cup and the 2003 event plus two Rugby Sevens Competitions (Cleave, 2002).

Although INL's New Zealand-based newspapers and magazines were sold to Sydney-based John Fairfax Holdings during 2003, the Sunday paper continued to act as a pre-negotiation tool for News Corp (Hendry, 2004a: C3). A lead *Sunday Star Times* story during March 2004 'NZRU faces financial disaster', that predicted a 50% reduction in income from News Corp was quickly rebuked by union officials in the following morning's *NZ Herald* (Mirams, 2004b: B1 - B2). An ARU spokesman also agreed that there was "a serious flaw in this whole argument about SANZAR taking a huge financial hit in the next deal" (Gray, 2004f: C16). During February 2004, another lead article by the same *Sunday Star*

*Times* sports journalist predicted "... a nightmare scenario ... for southern hemisphere rugby with a suggestion News Corporation may not renew SANZAR's lucrative broadcasting contract" (Mirams, 2004c: B1 - B2). This story depended entirely on quotes from former head of SARFU, Louis Luyt, following resignations of senior South African rugby executives as the consequence of its team's poor effort at the 2003 RWC. (There were also claims of corruption within the professional arm of South African rugby.) Luyt was reported as saying that SANZAR would struggle to earn anywhere near what the three national unions had negotiated with News Corp in 1995. However, the *Sunday Star Times* overlooked Luyt's motives and did not question the credibility of his comments. Although he had been a key driver in negotiation of the first SANZAR relationship, Luyt was replaced as head of South African rugby in 1998 following accusations of racism and cronyism (Smith, 2004: *ibid*). The *Sunday Star Times* also failed to acknowledge Luyt's desire to increase South Africa's share of SANZAR revenue (South Africa receives significantly less than New Zealand from the relationship). In these circumstances, Luyt would want to favour his own business interests and reclaim lost influence on the game.

News Corp's campaign to downplay SANZAR's bargaining strength also extends to Australia. Journalists working for News Corp-owned newspapers the *Daily Telegraph*, *Sunday Telegraph* and *The Australian* have been criticised by the Australian-based New Zealand journalist, Spiro Zavos. As part of a campaign to reduce the perceived value of SANZAR broadcast rights ahead of their negotiation, News Corp journalists were said to be "continually denigrating rugby" (Zavos, 2002). The game was said to be awful, ratings figures were criticised and the ARU's purchase of rugby league players was ridiculed (Crysell, 2002: *ibid*).

News Corp has consistently stated its intention to reduce the cost of the SANZAR broadcast rights (Jessup, 2002b: *ibid*) (Unattributed, 2003aj). If News Corp is unwilling to meet SANZAR's income expectations there are few other options available (Rattue, 2003: C15). Kerry Packer's PBL network may have an interest in the broadcast rights contract. However, PBL remains primarily an Australian/Asian operation and is attempting to diversify into casinos; its growth prospects in media appear limited (Unattributed, 2004m: C6). In any case, PBL and News Corp have shared interests; together they own a quarter each of Australian pay network, Foxtel, with the remainder owned by Telstra, Australia's largest telecommunications company (Unattributed, 2004n: C6).

News Corp is primarily interested in the Super 12 competition and international matches as these attract television audiences in its biggest markets. In contrast, the NPC is perceived simply as a product it sells to Sky TV. Rights for broadcast NPC matches constitute just 6% of the NZRFU income from the News Corp relationship (Moller, 2003). This may provide some negotiation options for the NZRFU should it want to test the New Zealand broadcast market. Certainly the NPC coverage provides particular value for the Sky TV network as a competitive advantage over TVNZ. Any perceived change to the breadth of Sky's rugby coverage would affect its financial performance. A slow-down in the growth of new subscribers joining the network during the six months to December 2003 was blamed on TVNZ's free-to-air coverage of the RWC (Hendry, 2004b: C3).<sup>139</sup> For TVNZ, broadcasting this event contributed to a 13% increase in advertising revenue during the same six-month period (in comparison with the same period ended December 2002) (Unattributed, 2004o: C3).

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<sup>139</sup> As a demonstration of the acceptance of top rugby broadcast on subscriber TV networks, a reduction in new subscribers during the 2003 RWC period was not as severe as the fall in new subscriptions during the 1999 RWC (Hendry, 2004b: C3).

For the NZRFU, it should be of concern that the absence of quality live rugby on TVNZ has allowed other sports to gain greater coverage in its place. Regular coverage of basketball for example, provided the base for TVNZ to broadcast matches from the Basketball World Championships during September 2002. The New Zealand team, the Tall Blacks, reached the semi-finals for the first time in their match against Yugoslavia. The match was screened live and free-to-air on a Sunday morning after previous lead-up matches had been screened earlier in the week. The 793,800 estimated to have watched the match delivered one of the biggest ever Sunday morning television audiences in New Zealand. The viewership compared favourably with the television audience attracted to events such as the Rugby World Cup, New Zealand's winning of the Americas' Cup in 1995 and the opening ceremony at the Olympics (Cleave, 2002: A1). The Tall Blacks' success and popularity led to TVNZ committing to screen Tall Blacks matches through to 2007 (Jessup, 2003: D3).

The NZRFU has identified the London-based sports rights marketer and consultancy, Octagon CSI, as a critical part in its broadcast negotiations. Octagon CSI's introduction into the global sports market in 1999 reflected the growing sophistication of sports rights marketing since the SANZAR/News Corp agreement of 1995 (Octagon, 2003).<sup>140</sup> The NZRFU already draws from Octagon's research of the sports rights market. This information will help rugby authorities develop a broadcasting strategy (Tew, 2003b).<sup>141</sup> To encourage greater competitiveness in the New Zealand broadcast rights market, the NZRFU could work with Octagon to negotiate the NPC element separately from the Tri-Nations and Super 12 parts of the News Corp contract. The NZRFU could

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<sup>140</sup> From [www.octagon.com/who\\_we\\_are/background.php](http://www.octagon.com/who_we_are/background.php)

<sup>141</sup> SANZAR also contracted sports right consultant, Ian Frykberg, a negotiator for News Corp in the first SANZAR relationship in 1995, to negotiate on its behalf for renewal of the agreement (Gray, 2004g: D7).

improve promotion of the game at grassroots level and encourage a free-to-air broadcaster to buy the live television rights. This would loosen Sky TV's control over live rugby coverage and in turn boost the value of NPC broadcast rights. This would enhance local interest in provincial rugby as a central building block of the game.

Nevertheless, announcement of the NZRFU's agreement with the SANZAR unions in preparation for the News Corp negotiation was not well received (Fox, 2004: B6). The union had finally agreed to expansion of the Super 12 to include a fifth team from South Africa and a fourth from Australia. The Tri-Nations package would increase to three matches between each team, an increase of two more tests for the All Blacks. A *NZ Herald* editorial claimed that the deal appeared detrimental to New Zealand players and supporters (Unattributed, 2004p: A18). Senior players also criticised the proposal and the Rugby Players Association expressed concern about possible player burnout from more top competition (Gray, 2004h: C22) (Unattributed, 2004q: D7). The *NZ Herald* published an article by NZRFU CEO, Chris Moller, defending the agreement. Reaching an agreement for extension of the SANZAR joint venture was "a huge achievement", said Moller, but it had been difficult to negotiate. The South African union had considered aligning itself with northern hemisphere rugby competitions and broadcasting rights (Moller, 2004a: A15). Because of the importance of the South African broadcast market to SANZAR's commercial viability (and the convenience of local matches broadcast for European time zones) this scenario would have been disastrous for the NZRFU. Moller added that SANZAR did not plan to include franchises from the Pacific Islands and Japan in its package for News Corp as both "offered insignificant increases in broadcast revenue" (Moller, 2004a: *ibid*). In any case, both South Africa and Australia had wanted an additional team, which effectively eliminated the

possibility for inclusion of a Pacific Island team (Gray, 2004: C16).<sup>142</sup> In another article by Moller, published by the *Sunday Star Times*, he explained that the new SANZAR package, if accepted by News Corp, gave the NZRFU the opportunity to take advantage of the potential growth of rugby across the much larger TV audiences in South Africa and Australia (Moller, 2004b: B6). New Zealand's far smaller broadcast market does not offer the same potential for expansion. To grow its broadcast revenue, the NZRFU must rely on negotiating favourable commercial deals with teams based in substantial rugby markets.<sup>143</sup>

### **The Future of Super 12 and Provincial Rugby**

During 2003, the NZRFU issued a discussion paper about the future of rugby to build on ideas being developed by the 27 provincial unions. The NZRFU wanted to review its involvement in all competitions and gauge support for the construction of a major World Cup standard rugby stadium. In general, the NZRFU wanted to ensure sustainability of the national game. Improving the

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<sup>142</sup> Poor performance of the four South African Super 12 teams raises doubts about whether a fifth team will be able to compete as well as a combined Pacific Island team. Nevertheless, a fifth team would strengthen South Africa's local game by providing more opportunities for its leading players to remain in the republic rather than accept player contracts elsewhere.

<sup>143</sup> Confirmation of a five-year extension to the 1995 agreement between SANZAR and News Corp was announced during December 2004. Despite the tactics of some media (including the *Sunday Star Times*) and News Corp outlets to downplay its negotiation prospects, the agreement was favourable for the NZRFU. The five-year extension would return \$US 323 million to SANZAR. It was estimated that the three SANZAR partners would share an extra \$NZ 12.8 million pa (depending on exchange rate fluctuations) over the initial 1995 agreement. Of this, the NZRFU could gain an extra \$NZ 4 million/pa. NZRFU CEO, Chris Moller confirmed that at the agreement's conclusion in December 2010, the NZRFU could reclaim the NPC rights that it could sell to a free-to-air network (Rattue, 2004c: C14). However, in a change to the 1995 agreement, rights were split across territories. News Corp bought rights for New Zealand, Australia and United Kingdom. Broadcast rights for South Africa were sold to South Africa's M-Net/Supersport network, a News Corp affiliate. Rights for some lesser value territories remained available for sale. With the advantage of the largest potential domestic audience and having British audiences in its time zone, South Africa retained the largest share (38%) of the rights (Griffin & Bloomberg, 2004: C3). With the Super 12 expanding to 14 teams plus the addition of three more Tri-Nations games (each nation would play each other 'home and away'), News Corp would gain 28 more games a season. To accommodate the expanded Tri-Nations and Super 14 competitions, the Super 14 would start two weeks earlier in February.

financial performance of its provincial stakeholders would strengthen its own negotiating position with News Corp. The discussion document noted that New Zealand was only the sixth largest playing nation in player numbers behind South Africa, England, France, Australia and Japan. Whereas England players numbered 600,000, this was five times that of New Zealand (Zavos, 2004b: 3). For the NZRFU, this reflected a deeper concern outlined in the discussion document: "Failure to agree and implement a comprehensive national plan for rugby for the next decade could result in New Zealand forfeiting its pre-eminent reputation in world rugby" (Gray, 2003a: C14).

Shortly after the 2003 RWC, the NZRFU released its wide-reaching competitions review. The changes signalled in the review (timed to take effect with the start of the 2006 season) demonstrated the NZRFU's attitude. The NZRFU Chairman, Jock Hobbs, made the following statement: "We're not making change for changes' sake. Our stakeholders are united in the belief we have to make changes to ensure the competitions provide the best possible platform for sustaining a winning All Black team and maintaining rugby as a game that's accessible and attractive to all New Zealanders" (Leggat, 2003: C16). In pursuit of these objectives, the NZRFU would seek to play more international matches against top tier rugby nations, particularly France and England. It would consider scheduling tests at neutral venues such as Japan, in order to generate more revenue than could be earned in New Zealand (Cleaver, 2003: B4) (Leggat, 2003: *ibid*).

The NZRFU believed that more international matches would generate the additional revenue needed to fund development of the game. To this end, the NZRFU is lobbying the IRB to ratify revenue equalisation. Thus the NZRFU wants to negotiate one-off matches outside of the IRB schedule on the premise that revenue would be shared from such matches. The first of these was

scheduled at Twickenham against the invitational Barbarians team following the 2004 end-of-year tour to Wales and France. Twickenham, the biggest rugby venue in England, is seen as a goldmine for its Rugby Union. The ground generally sells out for All Blacks matches and runs lucrative hospitality packages. The NZRFU's deputy chief executive, Steve Tew, commented that "some money will change hands; we have got a fee for the Barbarians game." He observed, "it escalates, according to prices and ground capacity" (Gray, 2004j: D3).<sup>144</sup> The competitions review also recommended that elite players only compete at two levels of the game, either NPC and the Super 12, or the Super 12 and All Blacks. In other words, elite players would be kept for major revenue earning competitions. As the NZRFU chairman, Jock Hobbs, observed: "We ask players to turn out in so many competitions. We need our All Blacks to play more tests to generate revenue that can be invested back into the game" (Leggat, 2004: *ibid*). The review confirmed that the NZRFU generally supported an enlargement of the Super 12. It added the caveat that there needed to be commercial benefit to warrant expansion.

Before announcing the review, the NZRFU considered privatising its Super 12 franchises as a means of reducing overall costs to the union. The options included separating the franchises from their host NPC unions and/or selling the franchises for between \$NZ 5 million to \$NZ 8 million each (Rattue, 2003: C15). A report speculated that hosts of the Super 12 franchises could join with three Australian teams in a new super NPC (Mirams, 2003b: B1). Such options came with significant disadvantages. While the players as critical properties were retained by the NZRFU, an independently owned Super 12 franchise would have

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<sup>144</sup> The chief executive of the Welsh Rugby Union, David Moffet (who as chief executive for the NZRFU had been involved in negotiation of the SANZAR agreement), doubted that other rugby nations would be interested in playing more matches with New Zealand. Moffet believed there was no incentive for northern hemisphere teams to consider revenue sharing when they would effectively be subsidising New Zealand due to its far smaller stadiums (Mirams, 2004d: B5).

few real assets from which to earn its revenue. A franchise owner commercially obliged to maximise income would push for more Super 12 matches. But the NZRFU - wanting to ensure its players were fresh for major revenue-earning internationals - would be unlikely to allow this. Additionally, developing a new super NPC that combined Australian teams would place yet another competition into an already congested rugby season. This scenario would oblige the NZRFU to share domestic revenue with its Australian counterparts, thereby diluting revenue streams for New Zealand NPC unions excluded from the competition. Elsewhere, privately owned sports teams often struggle to remain profitable in bigger professional sports competitions. Millionaire business people who only reluctantly release their players for international matches and tours dominate the rugby club structure in England. Clubs bicker constantly with the RU, providing a cautionary example perhaps, of an option to avoid (McMillan, 2003: C4) (Gray, 2004k: D3).

### **The Marginalisation of Pacific Islands Rugby**

The Super 12 attracts broadcast and sponsorship dollars but it also has attendant commercial appeal. Fans and spectators see it as a credible rugby competition and this ensures that the games have international appeal for broadcasters. The NZRFU has been assiduous in adding value to the matches by its acknowledgement of peak viewing times. Scheduling broadcasting and sponsorship of these matches reflect their commercial worth. But the competition also has negative side effects. A lack of quality venues and a commercially insignificant television population were the reasons Samoa, Fiji and Tonga were controversially left out of the Super 12 when it was first negotiated with News Corp (Unattributed, 1995e: S2.1). This was despite the inclusion of a Pacific Island team in the regional Super 10 competition, the forerunner of the Super 12.

The popularity of the Super 12 has restricted the expansion of Pacific Island rugby since its introduction (Maddaford, 2004: D2). Players from these nations that could claim dual citizenship with either Australia or New Zealand shifted their allegiance to ensure their availability for Super 12 teams. Under IRB nationality rules, those turning out for Super 12 teams and then picked to represent Australia and New Zealand were no longer eligible to play for their home country.<sup>145</sup> As a result, the teams of New Zealand and Australia were boosted at the expense of the Pacific Island nations.<sup>146</sup> Confirmation by the NZRFU that it supported pragmatic expansion of the Super 12 competition bought a commercial challenge from Cullen Sports, the Auckland-based company that own 75% of the Warriors NRL league team (Gray, 2004l: C22). Claiming IRB support, Cullen Sports offered to host and manage a privately funded Super 12 squad from the Pacific Islands (Verdon, 2004: 47). It also suggested that broadcasting money would not be needed to fund what it dubbed the Pasifika franchise. The best players from Samoa, Fiji and Tonga would be combined and their games would return income to the Pacific Islands Rugby Alliance (PIRA) that represented the three nations (Rattue, 2004b: C22).

Although keen to address the problem of player migration, PIRA considered the Cullen Sports proposal for a team based in Auckland as a Plan B at best (Unattributed, 2004r). It preferred a combined Pasifika Super 12 team to be hosted in the Islands, despite the commercial difficulty of doing so. PIRA acknowledged the Pacific Islands' largest venue (in Samoa) hosted only 15,000

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<sup>145</sup> The IRB introduced this rule to discourage players from regularly shifting allegiance from country to country.

<sup>146</sup> However, the inclusion of Pacific Island players in New Zealand teams restricts the opportunity for New Zealand players to develop at this level. But the inclusion of Pacific Island players in New Zealand teams ensures that New Zealand has an opportunity to entice Pacific Island players to denounce their home union and instead play for the All Blacks.

(Mirams, 2003d: B5). Subsequently the NZRFU was unwilling to welcome Cullen Sports into the SANZAR family.<sup>147</sup> A privately funded enterprise that would aggressively challenge for a share of Super 12 income would effectively dilute what was already being earned by the NZRFU and its franchises. Nevertheless, the Cullen Sports proposal highlighted the commercial attractiveness of the Super 12. But it also exposed the opportunity of commercially exploiting the otherwise hopeless situation faced by the Pacific Island nations. If a Pacific Island team was to feature in an expanded Super 12, the commercial imperatives of the Super 12 broadcast relationship would require the team to be based in either New Zealand or Australia (Unattributed, 2004s). This would be unpalatable for PIRA but it would be the only commercially viable option. Pacific Island rugby nations experience the polarisation of professional rugby. While the NZRFU pushes for equalisation of test revenue earned overseas, in the Islands it would be unrealistic to ask for 50% of income – in fact, almost anything would do. As Samoan rugby’s chief executive, Phillipp Muller, explained “we get more money from the sale of (match day) programmes than from the TV rights to our home tests” (Hinton, 2002d: B4). During the 2002 season, the gate sales of a match between Fiji and the All Blacks went to the Fiji Rugby Union. This was a positive contribution to the financial survival of Pacific Island unions; the match earned more for Fijian rugby than if it had been hosted in any of its own venues.

The 2003 RWC provided a clear demonstration of the gap between the tier one teams in world rugby and the Pacific Island teams (and others) in tier two. Fiji, Samoa and Tonga struggled to field full-strength teams and with Georgia and

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<sup>147</sup> The contrast between Cullen Sports and the NZRFU structure (that despite the introduction of open professionalism, remains an incorporated society) is extreme. Cullen Sports is owned by Cullen Investments, a holding company majority-owned by New Zealand businessman, Eric Watson. It is well known for its aggression in the purchase, management and subsequent divestment of commercial interests, including retailing and financial and business services (Rattue, 2004d: C18).

Namibia, lost players in the lead-up to the RWC. None could afford to reimburse players for earnings lost as a consequence of attending the event (Unattributed, 2003z: *ibid*).<sup>148</sup> The IRB could not enforce its regulation that a national team had first call on a player's selection. Some leading players from the Pacific Islands chose to stay with their European clubs or New Zealand provincial teams to protect their income and jobs (Unattributed, 2003a: C19).<sup>149</sup> In contrast, British clubs such as Leicester reduced the salaries of its players on international duty at the RWC, but the income that the English RU paid its players for competing more than compensated. Smaller unions cannot afford to do this. Samoa's prime minister (the chairman of the Samoan rugby union) indicated that without reforms his team would have to pull out of the world arena and look instead for amateur competition. Samoa can't keep up under the professional regime and its effort in the 2003 RWC may have been its last (Harding, 2003: 79). In contrast, the English RU had posted record earnings of more than £70 million before the England win at the RWC. Its turnover had doubled, operating profit increased by 80% and net assets of the union had tripled during the four years prior to 2003 (Unattributed, 2003a: C16). It plans to use income earned as a consequence of its World Cup win, to add more seating and significantly upgrade Twickenham, its biggest rugby stadium (Unattributed, 2004: B5).

The Pacific Islands supports the NZRFU lobbying of the IRB for revenue equalisation plans. To this end, the NZRFU successfully encouraged the IRB to

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<sup>148</sup> Coach for the Namibian team described his team's preparation for the RWC as chaotic, due to the pressure club and Currie Cup teams placed on his players to abstain from the RWC. Under IRB rules, players risked being excluded from playing for their club and provincial teams if they refused to represent their national team (Unattributed, 2003a: k).

<sup>149</sup> In recognition of the impact the loss of leading players had on the credibility of the RWC, the ARU asked the IRB to impose sanctions on clubs and provincial teams found pressuring players to withdraw from the tournament. However, ARU CEO, John O'Neill, mitigated the move by admitting that the problem was not necessarily a club's fault - rather, players "may literally choose money instead of playing for his country" (Unattributed, 2003z: *ibid*).

recognise a combined Pacific Island team and scheduled five matches, including three internationals, during the 2004 season (Laidlaw, 2004: B2) (Unattributed, 2004u: B4). The IRB agreed that the team, dubbed the Pacific Islanders, could be brought together in a manner similar to the combined British and Irish Lions. So long as individual players hadn't already played for any other national teams they would be available for Pacific Island selection. The IRB also ensured that playing for the combined team would not exclude players from representing nations outside of the Pacific Islands in the future. The IRB ruling stated that: "If a player who is eligible to play for both Fiji and New Zealand (for example) but has not actually represented either of these unions plays for the Islanders team, he will not be captured by either of these unions (in the IRB's 'one country-for-life' rule)" (Unattributed, 2004v). This allowed players who had unsuccessfully trialled for the All Blacks earlier in the season to be included in the Pacific Islander team. Also eligible were those returning from northern hemisphere club teams and from New Zealand and Australia, in addition to Pacific Islands-based players.

It was hoped that the matches against the All Blacks, Australia and South Africa (albeit hosted at second tier rugby venues) could ensure the three Pacific Island nations a stable revenue flow from future matches. Nevertheless, after set-up costs, salary payments and administration costs for the three matches, profit shared among the three unions was estimated to be just \$NZ 100,000 (Ford, 2004: B2). As a consequence, the future of the concept is uncertain. Fijian rugby authorities support a PIRA team that would only tour on a four-yearly basis, ideally during the season immediately after the Rugby World Cup. To play combined matches prior to the tournament would be disruptive to Fiji's build-up plans (Ford, 2005b: B5). Of critical importance however, will be that host nations share gate and broadcasting revenue with PIRA teams. It is unclear whether those hosting the Pacific Islanders in seasons to come will concur with this

arrangement. Additionally, there is debate as to whether already scheduled tests by Fiji, Samoa and Tonga should be replaced by matches played by the combined Pacific Islanders team (Mirams, 2004e: B3). Each team could earn more income if it continued to host matches on its own, particularly if it used neutral venues in metropolitan areas known to support Pacific Island teams.<sup>150</sup>

The NZRFU's revenue equalisation objective highlights the predicament of smaller unions. In this regard, NZRFU chief executive, Chris Moller, has sounded a warning: "Ultimately, if we don't start seeing some changes in this area (revenue equalisation), for the good of the global game (and) if push comes to shove, we might have to start making some choices about what teams the All Blacks are prepared to play. It's not just a New Zealand issue, it's the Pacific Islands, Argentina and a number of other nations" (Long, 2003). Whether or not the NZRFU actually choose international matches on the basis of its negotiated share of gate return is too early to say. But by confirming such an intention, greater importance is placed on the All Blacks as a commercially attractive on-field opponent for major rugby playing nations. In the interim however, the inclusion of a combined Pacific Island team within the Super 12 will still be difficult for the NZRFU and SANZAR partners to accept. A fourth party in SANZAR - ostensibly a PIRA team representing three Pacific Island nations - would clearly mean a four-way share of broadcast revenue. There would be negligible income from Pacific Island viewership to offset increased costs. This would dilute current returns for each partner union. Any significant impact on income for Super 12 franchises will further restrict their ability to discourage players from joining more affluent teams in Europe or Japan. As a consequence,

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<sup>150</sup> To earn more income from the international season, Samoa played a home test against Scotland in Wellington at Westpac Stadium in 2004. Samoan rugby authorities negotiated for the match to be managed by the Wellington union with Samoa taking any profits. It hoped to take advantage of the city's large Samoan population (Kayes, 2004b: D10). It was an innovative step by Samoa and one of very few internationals played at a neutral venue outside of the Rugby World Cup.

any change that disadvantages current Super 12 franchises is likely to be opposed.

Expansion of the Tri-Nations competition may hold more commercial attraction for Pacific Islands' rugby. The competition is already under attack from fans and players that criticise its repetitive nature from year-to-year; consequently, trial inclusion of a combined PIRA test team may benefit all participants. Instead of an Island team participating in an expanded 15 – 16 week Super 14 competition, a PIRA team within an expanded series of test matches would play for six to eight weeks only. This would lessen the cost of provisioning a Pacific Islands team. A four-way test competition as an expansion of the Tri-Nations would not affect the cost effectiveness of the Super 12 nor lengthen the 14-week period it now takes to complete. Test matches involving a PIRA test team would be attractive to European audiences that have admired the performance of Pacific Island teams during recent Rugby World Cups and individual Pacific Island players in British club sides (Jones, 2000: 287).<sup>151</sup> Players contracted to northern hemisphere club teams could be encouraged to participate in the PIRA team during what would be the off-season for their club sides. But whatever option is chosen will be determined by how much it draws from, or adds to, the revenue earned from the Super 12 and Tri-Nations and by the SANZAR partners.

The subsequent income available to New Zealand franchises and provincial unions has been one of the most divisive issues in the national game. SANZAR may eventually sanction a Pacific Island team for the Tri-Nations but only under

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<sup>151</sup> British rugby journalist, Stephen Jones, described Samoan player (and former Auckland NPC representative), Pat Lam, as possibly "the most famous living Samoan", for his feats as captain of English club team, Northampton. In particular, Jones highlighted Lam's contribution to the British game when Northampton beat Irish team Munster in the final of the European Cup in 2000. Jones recommended that should international rugby wish to adopt a flag that represents the best in rugby, it should be the flag of Samoa, "a country which portrays in its own rugby all that is fine about the sport and little of what is petty and selfish" (Jones, 2000: 287).

conditions that accommodated the outcome of the broadcast rights negotiations with News Corp. Given the small stadiums and minimal commercial benefits of hosting a PIRA franchise in the Islands, an alternative arrangement might be to share costs with the ARU (as a possible franchise host) and PIRA. If they could distribute income among Pacific Island rugby community shareholders, this might be the best available compromise for the Island rugby nations. But again, this initiative would only advantage SANZAR if broadcasters of the competition(s) also regarded it favourably. If it brought more commercial profile, more attendant revenue and greater profits and didn't decrease current income for SANZAR unions (compared with that earned by their northern hemisphere peers), then the Pacific Islanders concept would be viable.

### **The NPC and Club Rugby**

The competitions review instigated by the NZRFU has major consequences for rugby at grassroots level. The competitiveness of the NPC is a feature that the NZRFU now regularly monitors. Its annual report publishes the summarised score differentials between winning and losing teams in the NPC (Tew, 2003a: *ibid*).<sup>152</sup> In the NPC First Division, match results are predictable because player resources are concentrated among the five Super 12 bases. Such an uneven competition has negative consequences for fan and sponsor support. This is one of the reasons the NZRFU plans to replace the three NPC divisions with two from the 2006 season. The review proposes firstly, a premier twelve-team competition of professional and semi-professional players competing on a round-robin basis; and secondly, an amateur competition with up to 15 teams playing eight games each in two separate pools (Cleaver, 2003: B4).

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<sup>152</sup> In its 2002 Annual Report, the NZRFU's acting chief executive confirmed that a disappointment was its inability (outlined in its Balanced Scorecard corporate reporting analysis), to reduce the competitive differential in the NPC from twelve points in the 2001 season (Tew, 2003a: *ibid*).

Importantly for smaller unions, the review does not specifically recommend amalgamations of provinces. This prospect had been heavily criticised following a NPC review conducted years previously at the NZRFU's behest, by former All Black coach and captain, Brian Lochore (Unattributed, 2003a: D4). But the commercial burdens of First Division competition for the fringe teams that span the bottom of the first division and the top of the second division may still lead to amalgamations. The NZRFU appears to accept this as a consequence of market demand rather than central imposition. Clearly it is concerned at the wide variability in strength of respective unions and the financial pressures that unchecked, may lead to bankruptcy for those unable to compete. "In the first division you have unions that spend on their teams - not just wages but (for) coaches and preseason games - less than \$NZ 300,000, playing against unions that spend over \$NZ 3 million. That's one of the reasons why you don't front up to those games expecting either side to win", explained deputy NZRFU CEO, Steve Tew (Long, 2004b).

To encourage a balanced premier provincial competition, a salary cap on player payments including match bonuses, would operate (NZRU, 2004a: 10) (Clever, 2003: *ibid*). The intention is that this will discourage wealthier unions from stacking their teams and instead lead to a more geographically balanced spread of players, coaches and management talent throughout the twelve teams. It would help fringe First Division teams such as Southland that can barely absorb the cost of retaining leading players. Nevertheless, a salary cap has its critics, including the players' union (Mirams, 2004f: B4). A salary cap that restricts individual player income could encourage players to pursue overseas contracts rather than transfer to another province. Salary cap restrictions meant that NRL clubs were powerless to discourage leading players from transferring to a Super

12 rugby franchise, as the Super 12 competition was not constrained by a similar regime.<sup>153</sup>

Notably the review did not allow for the best team of the second, amateur competition to be promoted to the premier competition, or whether the worst performing premier team would be demoted. Rather, the financial viability of teams would be the key indicator of performance instead of match results alone. Participation in the two NPC divisions would be criteria-based and not guaranteed on the basis of a longstanding provincial rugby tradition (NZRFU, 2004a: 15 - 16). There seems no special recognition for the achievements and ambitions of smaller unions. The desire of teams to improve from season to season, irrespective of promotion/relegation rules, was considered sufficient motivation for achievement. Although it is projected to be a three-year programme, amateur teams will be always at a disadvantage in trying to match the systems and development of one of the Premier competition unions. Recognition that inclusion in the Premier competition would have a major impact on their futures (and a major negative impact if they were to be excluded) led to fringe unions launching major programmes to meet review criteria. The NZRFU required unions to become self-sustaining. In particular, unions' needed a minimum of \$NZ 750,000 to \$NZ 1 million equity. They needed to meet requirements of liquidity, debt servicing and income plus standards of governance and long-term player development. The review stipulated minimum stadia criteria for broadcasting matches; for hosting teams, match officials, coaches and medical support facilities; for covered seating and stadium capacity; for hosting of match reporters and photographers; for parking and public

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<sup>153</sup> As a consequence of pressure on its own salary cap (and the loss of high-profile players to rugby) the NRL is considering a proposal to allow payment of six-figure promotional top-ups to help retain elite players in the league (Swanton, 2005: B15). NRL CEO, David Gallup, proposed to allow players to earn additional money from sponsors. "We would attach a loyalty component to this proposal that would say, if you are going to earn this extra revenue, we're going to want you to stay loyal to rugby league" (Gallup & Gifford, 2005).

transport access and for standards of turf maintenance (NZRFU, 2004a: 9 – 15). With a maximum of twelve unions to be accepted for the Premier competition, the majority of New Zealand's unions would not meet these criteria.

In preparing its application, the Hawke's Bay rugby union commissioned an economic impact report that estimated a \$NZ 35 million positive impact for the region if it was included in the Premier competition (Carpinter, 2005: A7).<sup>154</sup> As a consequence, the Hastings District Council voted to offer the union an interest-free loan of \$NZ 250,000 to support its bid (Gardner, 2005a: 3). The Napier City Council signalled it would support a \$NZ 5.3 million upgrade of Napier's McLean Park to meet the review criteria for rugby stadia if the NZRFU confirmed the Hawke's Bay union in the Premier competition (Gardner, 2005b: 5). The union's chairman hoped that a public march through Napier's streets would demonstrate to the NZRFU the depth of community support for its application (Hurndell, 2005: 12).

A proposal to upgrade Okara Park in Whangarei to enable the Northland Rugby Union to meet stadia criteria also relied on local government and community funding. The Northland Regional Council wanted to survey ratepayers for their support of a proposed \$NZ 30.7 million upgrade to the venue that would increase annual regional council rates by between \$NZ 24 to \$NZ 96/ratepayer (Gee, 2005: A14) (Unattributed, 2004w). Neighbouring North Harbour union canvassed local business and the North Shore City Council for assistance to help it meet financial criteria required by the Premier competition. A joint letter to business people from the city's economic development agency and a North Harbour business association noted that the North Harbour union was in serious risk of missing selection. It needed "an immediate \$1 million cash injection

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<sup>154</sup> However, the union considered it needed to improve its equity by \$NZ 200,000 to reach the \$NZ 750,000 stipulated as necessary for inclusion in the Premier competition (Hurndell, 2005: 12).

before 31 March 2005 to ensure it exceeds the liquidity and equity criteria threshold and improve its balance sheet” (Finlayson & Boland, 2005).

Meanwhile, former First Division union, Counties-Manukau, confirmed it would hire the newly upgraded Ericsson Stadium, the home ground of the Warriors rugby league club, as its home venue if its application for the Premier competition was successful (Knight, 2005: B2). Despite the stadium being within the Auckland union’s boundary, its own provincial stadium in Pukekohe wasn’t a viable option. It would be some years before it could be brought up to the standard stipulated in the competitions review. However, inclusion in the Premier competition was critical for the union’s future. Although it had won the NPC First Division years earlier, Counties-Manukau had struggled since flagging on-field performance had led to its demotion to the Second Division in 2002. A 100-point loss to a below-strength Auckland in a 2004 pre-season game demonstrated the distance Counties-Manukau had fallen in just two seasons (Bingham, 2003: A3) (Budge, 2004).

Supporter interest in the NPC during the 2003 season when the RWC All Blacks squad was prevented from participating, demonstrated the depth of talent among New Zealand’s second tier of players (Laidlaw, 2003: B2). However, the five Super 12 host unions reacted against the proposal to withdraw All Blacks from future NPC seasons (so that the NZRFU could negotiate more income-generating All Black matches) (NZRFU, 2004b). The unions argued that excluding their leading All Blacks from NPC matches would restrict their sponsorship potential. Furthermore, if provincial union sponsors were no longer associated with the All Blacks, future sponsorship propositions will be less commercially attractive. The NZRFU’s salary cap proposal may also affect the viability of provincial development or junior teams. The five Super 12 unions argue that a salary cap will reduce the money available to pay leading players

and nurture development players (Gray, 2004m: C17). Super 12 host unions may also have to forfeit players to other NPC unions to remain within the salary cap, an objective of the competitions review. The rejection of this and other proposals within the competitions review by the five Super 12 unions delayed the NZRFU's ratification.

The NZRFU and its coaches have encouraged professional players to play club rugby at the conclusion of the Super 12 (or when they haven't been selected for one-off tests or Super 12 matches) (Gray, 2002c: *ibid*). Although the competitions review did not consider club rugby in detail, it did confirm that any decisions would protect a 20-week window of Saturday afternoons for club rugby (Hobbs, 2004b: 3 - 4). The chairmen of Auckland rugby clubs insist that the involvement of Super 12 and national rugby stars increases everything at club matches, from junior membership to money earned over the bar. Ponsonby Rugby Club Chairman, Peter Thorpe, comments; "we need those players (to be) at club functions and prize-givings. If they aren't going to be allowed to play they should at least be allowed to mingle with the fans on the sideline"(Leggat & Jessup, 2003: *ibid*).

The game's grassroots is at risk of being cut adrift from the professional competition. For New Zealand, the long tradition of the game provides a resilience that is difficult for less popular sports to emulate. However, rugby is no longer the major participation sport in New Zealand. The leading sports are tennis and golf with at least 300,000 participants each (Springhall, 2004: C10). An erosion of support for rugby at club level threatens to further diminish playing numbers. During the first ten years of professional rugby, the NZRFU has focused on profitability for elite rugby in order to manage the game in New Zealand. The number one priority is to ensure that the All Blacks' enviable winning record of 72% is maintained or bettered. Correspondingly, the NZRFU

states; “other national and professional rugby teams from New Zealand must emulate the All Blacks’ winning record” (Moller, 2004: 9).

Although the history and tradition of the game has been with the club system, the NZRFU has avoided becoming involved in the club or community rugby competitions of unions. It has relied on the 27 provincial unions to adequately manage their club competitions and develop strong relationships with schools to recruit junior players. But advancement of the elite game has not been matched at the community level. The divide has become dramatic. In the past, the club structure was the game’s bedrock and New Zealand rugby’s core competitive advantage. In the professional era, commercial imperatives and the desire of elite players to remain injury-free and available for matches that earn them (and the NZRFU) income prevail over the needs of community rugby. Many elite players earn substantial salaries that place them in high-income brackets well above those that they played alongside in school or club teams (Gifford, 2001: B6) (McKay, 2004: 8). When players transfer to provinces in pursuit of better professional opportunities, allegiances to club and school rugby are broken. Ironically, it is because of the longstanding traditions of amateur community rugby in New Zealand that corporate sponsors have become attracted to the game.

In its 2003 annual report, the NZRFU acknowledged the difficulties experienced in community rugby. Chairman, Jock Hobbs, described community rugby as the base and platform for the game in New Zealand. He stated that the board was working on a community rugby plan that would follow the implementation of the competitions review (Hobbs, 2004b: *ibid*). In part, the NZRFU has already started this work by supporting the game at school level, a vital tributary of club rugby. In early 2004, the NZRFU announced that \$NZ 945,000 would be made available to fund 300 part-time employee positions, all focused on rugby in

secondary schools. A trial programme during the 2003 season had led to a noticeable increase in secondary school player numbers and coaches (Unattributed, 2004x: C15). The NZRFU has set the target of a 10% increase in playing numbers for the first year. In particular, it is attempting to counter the declining number of teachers willing and able to coach school teams. Fewer men are taking up teaching as a vocation and parents are concerned about injuries to their children. The NZRFU also committed \$NZ 200,000 to introduce Rippa Rugby, more commonly known as flag football, a variant of touch rugby, in 1,500 primary schools to boost player numbers at that level (Weakley, 2004) (Mirams, 2004g: B2).

With more school children - including girls and young women - playing rugby, clubs will be able to coax more to continue playing the game after leaving school. The structure of the game is such that its future still depends on generating sufficient interest in rugby at club level; school students either continue playing the game or drop it completely in favour of other pursuits. Clubs are the base of the game for provincial, national and international development. The vast majority of fans and spectators of the game still come from those that play - or have played the game - within club or school competitions. The professionalisation and commodification of rugby, although altering many other facets of the game, has not changed this reality. The irony is that the sustainability of community rugby at school, club and provincial level has become more tenuous as a result of the financial pressures brought about by professionalisation and commodification of the game. Club rugby in particular, has little relevance for most leading players and as a consequence, interest and skill level have deteriorated. Community rugby now needs more support. Without it, professional rugby itself will fail. Recognition of this imperative more than anything else is generating the attention that is now gradually being drawn its way.

## Conclusion

In renegotiating its broadcast agreement with News Corp, the SANZAR unions face a mature international sports rights market dominated by a broadcaster with unrivalled purchasing power. News Corp's strategy for renegotiating an agreement was made clear by its use of media outlets to attempt to undermine the perceived commercial value of televised rugby, thereby reducing the amount SANZAR could charge for broadcast rights. In preparing to renegotiate its share of the SANZAR income, the NZRFU is restructuring the domestic game and reviewing its involvement in every competition in which it participates. Its prime objective is to ensure that the All Blacks maintain their winning record and that other NZRFU teams emulate this. Maximising its revenue opportunities and minimising costs is critical to achieving these objectives. The competitions review seeks to improve the sustainability of the domestic game. The review also targets the imbalances that have developed as a consequence of professionalisation of the game. Because the commercial, player and spectator support for the Super 12 indicates that it is a successful formula for revenue generation, it is a competition that can adapt to fit the evolving professional environment.

The changes proposed for the NPC will be the most significant since its introduction. Playing ability is no longer the sole measure of a successful province. Rather, it is each union's financial management and income streams that will ensure whether it takes part in the Premier division. The NZRFU needs to reduce its financial exposure to the domestic game (to allow it to focus on revenue earning international competitions). Consequently, fringe unions are forced to call on local government, businesses and ratepayers to underwrite their future. However, removing top players from the NPC in order to ensure that they remain fresh and available for the revenue-earning Super 12 and All Blacks

matches, demonstrates the secondary nature of the national competition. Acceptance of the requirements of the professional game over and above the quality of matches at the NPC level dictates the role of the provincial game. Acknowledgement of the difficulty that second and third division unions have in coping with a professional structure, led to the plan to combine them into one amateur division. Nevertheless, this consigns such unions to roles as feeders for the new premier competition and for overseas clubs. How these unions will survive in a structure that provides little opportunity to retain their best players will be a litmus test for the success of the review. In most instances, these unions have a larger community role than their counterparts in bigger provincial and metropolitan centres. With the removal of any chance to join the professional premier division, the quality and support of rugby in the amateur competition may deteriorate. Quite possibly, it will take significant financial support from the NZRFU and plenty of local community involvement to ensure a viable future for these unions in small-town New Zealand.

No less important for the future of the game generally in New Zealand, is the survival of grassroots rugby. Not unlike the difficulty that Pacific Island teams experience in gaining the support of the IRB, New Zealand rugby clubs have struggled to gain the attention of the NZRFU. The withdrawal of elite players from club rugby looks to be complete with the competitions review recommending that top players participate in only two competitions. Although in practical terms, the Super 12 has removed elite players from the majority of club rugby already, extending the Super 12 and retaining players within professional competitions will affect clubs even further. Without a reason to join or retain links with a club, it will be almost impossible to encourage elite players to be involved as club representatives. In the professional era, players no longer need to rely on the support of their clubs. In fact, the reverse now applies; clubs depend on the loyalty of top players to help attract and retain amateur players.

But this is a far cry from years gone by when clubs and their All Blacks were inextricably linked. With few resources to generate the funds to operate efficiently, the ability for clubs to draw on elite players to assist their fortunes in any way (be it in skills training for junior teams or for promotional events) will have to be addressed by the NZRFU.

A focus on school rugby may potentially mitigate this problem. Without sufficient numbers of school-leavers willing to join clubs, no end of financial support will be able to help club rugby produce the players of the future. This emphasis on growing school rugby empowers club rugby and draws the financial and management support that they clearly need in a world that has moved on since the 1970s when club rugby was at its peak. However, this takes money and significant organised support. Given the historic role that rugby has within many small communities, the support of the country as a whole will be needed to inject more life and vitality into community rugby (to ensure its traditional role as part of the country's social fabric). Certainly, the role of the NZRFU in managing this development will be critical to the success of top-level rugby in New Zealand and continuation of the All Blacks' international success.

In its planning for the future, the NZRFU is also looking back to a time when major tours provided a focal point for rugby throughout New Zealand. The commercial and promotional opportunities inherent within the 2005 British & Irish Lions tour is demonstrated by NZRFU's assiduous planning with local and central government agencies and authorities. The NZRFU also wants to use the tour to demonstrate its readiness to host a future Rugby World Cup. Nevertheless, the NZRFU and Lions' management has insisted upon a schedule that favours test matches to maximise northern hemisphere revenue opportunities. Issues of stadium seating (not too dissimilar to those that bedevilled the NZRFU for sub-hosting of the 2003 RWC) reflect the commercial

imperatives of the professional era. Ultimately, the success of the tour will be assessed on more commercial terms than any previous Lions visits.

## Chapter Seven:

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### Conclusion

Sporting codes have long dealt with commercial interests that have allowed elite sportspeople to be paid professionally. The development of major team sports such as soccer, baseball and American football (aka gridiron) have required extensive systems of commercial management. In contrast, the growth of rugby union was less dependent upon commercial imperatives. Nevertheless, despite rugby's century-long amateur status, the game has always been commercially attractive. It was commercial interest in rugby (plus the desire of players to be paid) that split the game into two codes in 1895. The subsequent introduction of professional rugby league weakened British rugby at a time when the New Zealand game was growing in popularity. As a consequence of groundbreaking tours to Britain and Ireland, rugby became a means of promoting New Zealand's national identity to the world.

The eagerness and ability with which New Zealand played the game contributed to its development as a major international sport. Rugby union's amateur status had always been considered an inherent feature (in contradistinction to rugby league). This was a sport that was conservatively managed and had suffered change gradually. Its leading body, the International Rugby Board and the parochialism of the four home unions, effectively restricted rugby's development. Nevertheless, the success that New Zealand achieved in playing rugby challenged home union ownership of the game. This was tested further as rugby steadily grew in popularity. Sacrifices that New Zealand governments and rugby administrators were prepared to make to allow New Zealand teams to compete against apartheid South Africa demonstrated the priority accorded to

international competition. But the growing international profile of the game attracted criticisms of New Zealand's actions and led to a reassessment of rugby's domestic role. New Zealand's hosting of the inaugural Rugby World Cup in 1987 provided the opportunity for renewed support for the national game.

Despite limited northern hemisphere support for the concept of the Rugby World Cup, when the tournament proved a commercial success the IRB was quick to adopt it as its own. It sought to substantially increase income from the tournament and to grow and dominate the international game. Hosting of the Rugby World Cup became hotly contested. While it also offered substantial international commercial return, the tournament significantly boosted the profile of rugby in host nations. Ignoring recommendations for a sole host for the second tournament, the IRB supported its home unions by agreeing that five northern hemisphere host nations would be involved. This highlighted the significant income that national unions were earning from the game, although the players remained amateur. The draconian rules of the IRB were clearly out of step with the times. But while teams in Italy and France regularly flaunted strict requirements for players to remain amateur, the IRB continued to control the international game. Nevertheless, by commercialising the Rugby World Cup the IRB inadvertently drew attention to the commercial opportunities denied to elite players (whose effort generated the income). Consequently, a transition to professionalism was inevitable. However, the IRB and the home unions were clearly unprepared when the SANZAR/News Corp agreement virtually imposed a professional structure on the game.

Rugby's standing as New Zealand's national game meant that the NZRFU played a critical role in the game's transition to professionalism. Greater demands placed on players by the NZRFU (and the IRB) hastened calls for

professional compensation. Paradoxically, maintaining close allegiance to the amateur rules of the IRB had encouraged players to consider professionalism as a valid alternative. However, the future of rugby became threatened, not so much by the pressure to pay elite players (although this was important), but by the growing commercial attraction of rugby league. Although some rugby nations occasionally lost players to the professional code, expansion of broadcaster-led rugby league competitions posed a greater threat for New Zealand than for any other leading rugby nation. Although rugby was the national game, a comparatively small economy meant that New Zealand rugby authorities were especially sensitive to change. Losing their best players to rugby league would have literally decimated the national game. The NZRFU had no alternative but to commit to open professionalism. However, by refusing to deviate from strict amateurism over previous years, the NZRFU also failed to anticipate the rapid changes that professionalism would bring.

The commercial imperatives that influenced the game reflected fundamental changes in the relationships between sport and broadcasting. With national broadcast rights for rugby sold to overseas conglomerates, the NZRFU lost control of how its major matches were scheduled and screened. Nevertheless, in the new environment, the NZRFU and its SANZAR partners sought to heighten the commercial value of matches. They broadened the attraction of rugby for broadcasters with various law changes designed to speed-up play and increase the number of tries. A transition to night rugby that maximised (overseas) television audiences was implicit in the agreement it signed with News Corp, despite the negative impact of wintry evening conditions on the quality of games. Stadia owners wanting to host major matches were required to install floodlights and to build exclusive seating areas to entice high-revenue corporate patrons. Pressure was placed on local government and communities to help fund this work. The opportunity provided to sponsors to paint large logos on

the pitch solely for television viewers encapsulated the growing commodification of the game.

Commercial imperatives also dictated that Tonga, Samoa and Fiji would be left out of the SANZAR competitions. This contrasted with the impact that Pacific Island players were making on the international game. Yet by concentrating broadcasting and sponsor revenue on the three major southern hemisphere nations, the SANZAR competition effectively weakens those teams excluded. Having comparatively fewer options to fund their development disadvantages Pacific Island nations. As a consequence, they are reduced to being feeder unions for New Zealand, Australia and European teams (as Pacific Island players pursue a professional rugby career). Disappointingly, the continued exclusion of Pacific Island teams from the SANZAR competitions (and the negative impact this has on their prospects) undermines any possibility of adding a competitive Pacific Island team(s) to the competition in years to come. There are very few other alternatives available for achieving variety and expansion in these competitions.

Much the same scenario is apparent at provincial and club level in New Zealand. The Super 12 competition that the NZRFU uses to earn a substantial part of its income has been the catalyst for a major imbalance in the provincial game. Because player and management resources concentrate upon the five Super 12 unions, those with fewer resources fall behind. The professional structure does not provide a means for smaller unions to reverse this trend. Unions with long and proud histories were subsumed into a feeder network that encourages their top players to transfer to Super 12 franchises to obtain player salaries and higher honours. Consequently, the magnetic draw of resources to Super 12 unions means the National Provincial Championship is no longer a fair representation of provincial playing strength. While losing up and coming players, feeder unions

rely on their Super 12 parent body to provide desperately needed revenue. To retain parity with competitors, maximising revenue is a critical priority for Super 12 franchises and union stakeholders. Financially vulnerable unions are forced to acquiesce to decisions that will earn them more income, even if this means that major matches are no longer played at their local venues. The introduction of the Super 14 will not change this. The expansion of the competition is the compromise to which the NZRFU must agree so that the SANZAR competitions continue to earn the income necessary to support the international and grassroots game. It is vital for the NZRFU that the SANZAR competition stays intact. In particular, it needs South Africa's continued commitment because its large consumer markets (and the convenience of local matches for European time zones) provide considerable attraction for international broadcasters. Without South Africa, the SANZAR agreement would be almost worthless.

The major divide between the haves and the have-nots in international rugby are just as obvious within the provincial game. This damages the competitive nature of matches. Yet, the catalyst for the introduction of the NZRFU Competitions Review has not necessarily been the quality of the competition (although it is a factor); rather, it has been the need for improvement of the NZRFU's commercial position. With the review, the NZRFU is seeking to reduce its financial exposure to the domestic game. Amalgamations of unions to meet the criteria of the Competitions Review are possible. They have already occurred at the grassroots level of the game. Fringe unions have canvassed local government and business for help in meeting the review's financial criteria. By calling on the civic pride of a province for support, unions are attempting to leverage from the economic contribution that major matches provide. Poorer regions are forced to balance the resources required for new or upgraded stadia against the need to also maintain and build vital infrastructure such as roads and community facilities.

In effect, these regions are being asked to underwrite provincial rugby so New Zealand teams can compete in the international game.

The primary focus of the NZRFU is to sustain a winning All Black team that plays home and away matches against leading overseas teams based in large consumer markets. Its strategy is to restructure domestic rugby to support its international priorities. However, rugby's grassroots in schools and clubs remains the critical development ground for new players and fans of the game. To provide the elite players of the future, the NZRFU has sought to address the level of the game that has been the most vulnerable to professionalisation. From 1996, building a professional career was a viable option for a rugby player who no longer needed a club for support. The reverse is also now true, with clubs relying on their elite players to sustain them. However, grassroots rugby has few resources and must rely on their provincial union to be proactive in retaining the best players. The NZRFU also requires elite players to remain fresh for income generating matches. By restricting their participation in amateur competitions, top players are forced to cut their ties with clubs.

Club rugby shares little with the elite level of the game. The broadcast image of rugby emphasises the opportunities that the game provides for sponsors and for elite rugby players. Club rugby however, is dominated by day-to-day reliance on volunteer administration to facilitate rugby competitions for amateur players of all ages and skills. Reducing opportunities for club rugby players to learn from elite players has had a downstream impact on the quality of provincial and grassroots rugby, particularly in areas already marginalized by the impact of population drift to metropolitan centres. Traditionally the strength of club competitions and the commitment to clubs of leading players had contributed to New Zealand's international success. Notably, a weakening of club and community rugby has coincided with uneven results for the national team.

The future of the game is inextricably connected to income streams negotiated by the NZRFU. Its long-term planning is predicated on the duration of major broadcast and sponsorship agreements. Elite players are virtually owned by sponsors and broadcasters that fund the game. The initial ten-year agreement between SANZAR and News Corp provided stability for the transition to professionalism. The NZRFU leveraged from this agreement to earn major sponsorship revenue. But negotiation of the shorter five-year relationship with News Corp also shortens the union's planning cycle. This negatively impacts on the NZRFU's capacity to leverage long-term sponsorship relationships similar to that negotiated with Adidas. This makes it even more critical for leading teams, particularly the All Blacks, to perform well at major events (especially the four-yearly Rugby World Cup). Clearly, shorter-term agreements lead to shorter-term objectives that ultimately make long-term planning difficult.<sup>155</sup> But the NZRFU has few real options. New Zealand's economy is too small to support the stadia that the IRB requires to host a Rugby World Cup and investing more in the elite game will only provide short-term returns. Instead, the NZRFU should invest in the grassroots game, in a way that increases its income potential for the long-term future. Without growth at this level, that provides new players and fans of the game, the NZRFU will be under greater financial pressure to adequately support the long-term elite game.

Commercial interests that from time to time have bedevilled - and in many instances, assisted - the development of other professional sports are now part of rugby. Rugby now competes on the same commercial terms and experiences similar issues and problems. External interests, epitomised by the global broadcast might of News Corp, have more strength in influencing the future of

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<sup>155</sup> Nevertheless, the NZRFU's stockpiling of \$NZ 50 million (should re-negotiation with News Corp in 2005 have led to a reduction in income) assists in sustaining rugby's short-term future.

the game than the game itself. Notably, the IRB appears in a rush to generate the money it needs, thereby almost ensuring that the risk of compromise with the needs of rugby will be high. It has argued that the IRB needs to manage the RWC in a way that will earn more resources to boost the game among smaller rugby nations. This rhetoric coincided with tactics that ensured those same countries will only become more financially reliant on the IRB. However, despite being a senior member of the IRB, the NZRFU's own commercial position is not strong. It is unlikely to host the Rugby World Cup, despite being one of the world's leading rugby nations. In contrast, the IRB appears intent on maximising revenues when the going is good and broadcasters and advertisers are at their most willing. Nevertheless, it is difficult to inculcate an ethos of playing with pride for one's region when at the highest level of the sport, clear parochialism exists towards countries that will generate the most revenue for the overall governing body. A focus that puts maximising revenue ahead of the future of the game, that allows more control of the game by commercial interests, also leads to greater reliance on those same interests to sustain the game's future. For this reason, the NZRFU requires strong representation on the IRB to influence its own future. Without this, it remains vulnerable to the commercial desires of its economically more powerful peers.

Rugby has changed dramatically over a comparably short period of time. The game is now a far more intense, faster and highly technical game than it was in the amateur era. Attendant media and sponsorship interest is also far more important in generating profile for the game, yet this comes with strings attached; commercial interests monitor trends and issues in the game that may affect profitability. Greater demands are placed on players and administrators to achieve the desired commercial goals. Greater financial commitment is also required from fans to support the game, either by having to pay significantly more to attend matches in bigger centralised stadiums, or by paying for pay-per-

view broadcast of the game. With the maturation and influence of global media corporates that have used rugby largely to achieve their own commercial aims, the image of rugby has become less about representing cities, towns and regions and more about the commercial goals that now underwrite management of the national game. To observers of the game it appears that the control of rugby is no longer with the rugby unions; rather, it is the union's commercial partners that dictate future direction and development.

Rather than encouraging growth of the game through regions and communities, rugby authorities focus upon the revenue that can be generated for corporate sponsors, advertisers and broadcasters. In New Zealand, rugby's future continues to be portrayed in terms of achievements on the international stage. Certainly the All Blacks need to remain among the leading rugby nations to generate domestic income. However, in sustaining a winning All Black team, the NZRFU is obliged to acquiesce to the concessions asked of it, to earn sufficient revenue. In relation to other rugby countries with larger financial reserves and a larger player pool, the NZRFU is at a disadvantage. Despite improving its share of revenue earned when countries play one another, New Zealand will remain in an unfavourable position. Its economy will always be far smaller than its major rivals and domestic rugby faces stiff competition for players and supporters at every level of the game. To support growth in the national game, the NZRFU must retain the interest in rugby across all parts of society. Achieving a fine balance between generating sufficient revenue at the professional level of the game while still engendering enthusiasm in rugby for amateur sportspeople at the community level is critical. Should grassroots rugby lose its relevance for communities, it will be just a matter of time before it loses its relevance for New Zealand.

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