The impact of broadcasting on sports in the UK.

An Independent Economic Study commissioned by British Sky Broadcasting Limited

20 July 2009

Important Notice from Deloitte

This report (the “Report”) has been prepared by Deloitte LLP (“Deloitte”) for British Sky Broadcasting Ltd in accordance with the contract with them dated 19 June 2009 (“the Contract”) and on the basis of the scope and limitations set out below.

The Report has been prepared solely for the purposes of assisting British Sky Broadcasting Ltd in their submissions to the Department of Culture, Media and Sports (“DCMS”) Independent Advisory Panel in the context of the current review being undertaken on the UK Listed Events Legislation, as set out in the Contract. It should not be used for any other purpose or in any other context, and Deloitte accepts no responsibility for its use in either regard.

The Report is provided exclusively for British Sky Broadcasting Ltd’s use under the terms of the Contract, however it may be made available to the Department of Culture, Media and Sports. No party other than British Sky Broadcasting Ltd is entitled to rely on the Report for any purpose whatsoever and Deloitte accepts no responsibility or liability to any party other than British Sky Broadcasting Ltd in respect of the Report and/or any of its contents.

As set out in the Contract, the scope of our work has been limited by the time, information and explanations made available to us. The information contained in the Report has been obtained from British Sky Broadcasting Ltd and third party sources that are clearly referenced in the appropriate sections of the Report. Deloitte has neither sought to corroborate this information nor to review its overall reasonableness. Further, any results from the analysis contained in the Report are reliant on the information available at the time of writing the Report and should not be relied upon in subsequent periods.

Accordingly, no representation or warranty, express or implied, is given and no responsibility or liability is or will be accepted by or on behalf of Deloitte or by any of its partners, employees or agents or any other person as to the accuracy, completeness or correctness of the information contained in this document or any oral information made available and any such liability is expressly disclaimed.

All copyright and other proprietary rights in the Report remain the property of Deloitte LLP and any rights not expressly granted in these terms or in the Contract are reserved.

This Report and its contents do not constitute financial or other professional advice, and specific advice should be sought about your specific circumstances. In particular, the Report does not constitute a recommendation or endorsement by Deloitte to invest or participate in, exit, or otherwise use any of the markets or companies referred to in it. To the fullest extent possible, both Deloitte and British Sky Broadcasting Ltd disclaim any liability arising out of the use (or non-use) of the Report and its contents, including any action or decision taken as a result of such use (or non-use).

Contents

Abbreviations

BSkyB/Sky	British Sky Broadcasting Limited
DCMS	UK Department for Culture, Media and Sport
ECB	England and Wales Cricket Board
England Netball	All England Netball Association
ETP	PGA European Tour Productions
FAW	Football Association of Wales
FCCC	First-Class County Cricket Club
FTA	Free to Air
HD	High Definition (Television)
IFA	Irish Football Association
PSB	Public Service Broadcaster
RFL	Rugby Football League
RFU	English Rugby Football Union
SFA	Scottish Football Association

Executive Summary

This independent report commissioned by BSkyB outlines the impact of broadcasting on sport, and in particular on the funding of sports governing bodies to fulfil their remit. Our assessment has drawn on certain case studies to highlight the range of impacts that broadcasting can have on a sport or sports organisation, and the various factors taken into account when a sports organisation determines its broadcast strategy. This summary highlights our key findings.

Broadcasting plays a key role in supporting the financial sustainability of many sports as well as providing a 'shop window' through which sports are able to promote themselves. Broadcasting provides benefits to sports through:

- the direct impact of broadcast revenues on sports;
- the wider impact of broadcasting on sport, for example through increased coverage and the resulting impact on awareness of, and engagement with, the sport; and
- the wider impact on the sports' funding sources beyond broadcast revenue.

The direct impact of broadcast revenues on sports

In relation to the direct impact of broadcast revenues on a sports organisation, our report finds the following.

- The contribution of broadcasting to a sports organisation's funding mix depends on a number of factors including the level of attraction of a sport or event to audiences. Broadcast rights revenue represents a substantial portion of the total funding for sports such as cricket, football, rugby union and rugby league, which also tend to attract considerable viewer interest. The relative contribution of broadcast revenues to total revenues for the case study organisations within those sports varied between 22% and 58% in their year ended 2008.
- There is relatively little cost to a sports organisation associated with broadcast revenue as compared to other revenue sources, such as matchday and certain commercial revenues. As such broadcast revenues are almost wholly available to an organisation to fund its activities.
- Broadcast revenues are often critical in determining the level of funds available for a sports organisation to invest in the development of the game. Factors that restrict the ability of a sports organisation to generate broadcast revenues may place increased pressure on other funding sources to cover any potential shortfalls. For example, the ECB spends over two-thirds (71%) of its budget on community/grassroots programmes and the elite game (encompassing international cricket, professional competitions and First-Class County Cricket Club (FCCC) payments), and the RFU spends around half of its outgoings on payments to clubs and elite and grass roots rugby.
- The areas of expenditure of a sports organisation vary depending on its particular remit. For example sports governing bodies have a responsibility for the governance and development of the game at all levels (professional, elite and grassroots), whereas professional sports clubs

are more focussed on success in professional competitions and maximising revenue. For a governing body, the amount of funding available for spending on elite programmes, the grassroots game, and payments to constituent clubs is determined after certain costs (such as operational, matchday and staff costs have been covered). The more revenue generated, the greater the potential investment that can be dedicated to elite and community funding. For example, revenue growth has allowed the ECB to more than double its expenditure on grassroots activity between 2000 and 2008, whilst the RFU's revenue growth (£44m) between 2000/01 and 2007/08 has flowed directly to community rugby expenditure and allocations to clubs and constituent bodies.

- The nature of broadcast contracts, particularly those extending over several years, provides the platform for sports organisations to plan ahead and invest in the development of their respective sports. For example, the ECB has been able to develop a grassroots and facilities investment programme which is underpinned by broadcast support, whilst rugby league's Super League has been able to implement a licensing system for the competition with the security of broadcast revenues to underpin the competition's, and individual clubs', business models.

The wider impacts of broadcasting on sport

Broadcast coverage of sports provides important exposure for the game which impacts on the level of awareness and overall engagement with the sport. Sports bodies pursue a variety of strategies in order to ensure the required level of coverage and exposure. In this respect, our report finds the following.

- Coverage: The nature of some sports and events means that a significant airtime commitment is required in order for comprehensive coverage to be offered. The development of digital multichannel TV, including Pay TV channels, has provided increased capacity to offer more comprehensive coverage of certain sports events as well as providing a platform for sports which may not otherwise have received coverage. Multichannel broadcasters contribute over 95% of sports broadcast hours in the UK with PSB broadcasters contributing the remainder. Between 2005 and 2007, sports coverage increased by over 60% to 131,194 broadcast hours, primarily due to increased coverage from multichannel providers, including the launch of additional channels. In particular, cricket and golf have benefited from the substantial airtime commitment provided by Pay TV channels, which has facilitated comprehensive coverage of the sport as a whole. Digital multichannel broadcasters whether Pay TV or FTA can choose to cover a sport in depth, or to cover minority sports, in order to enhance the variety within their channels.

- Exposure: Certain sports organisations showcase their sport with FTA channels in order to reach as wide an audience as possible, e.g. the Six Nations Committee has selected a FTA partner, the BBC, to provide live coverage of the tournament.

- Balancing Pay TV and FTA: Sports bodies package broadcast rights in order to try and optimise the balance between a number of key factors such as revenues, coverage and exposure, e.g. Pay TV provides live coverage of Irish, Scottish and Welsh senior home international football matches with highlights coverage available through FTA. Other organisations secure different broadcast partners for different properties, e.g. rugby league's top domestic league, Super League, achieves substantial coverage through Pay TV and the top domestic cup competition, the Challenge Cup, is available through FTA. The more choice a sports organisation has in terms of potential media platforms or partners, the more opportunity it has to best achieve its remit.

- Leverage: Sports organisations package potentially less attractive properties with more attractive properties in order to secure coverage and exposure for a number of events, which can have a number of benefits in terms of exposure and driving certain other revenue streams. For example, the ECB achieves substantial coverage for the domestic game through packaging with international home matches. This allows a wide range of events to be broadcast and comprehensive coverage of the sport as a whole. In 2008, to cover 7 Test matches and 12 limited over games required 640 hours of programming, of which 343 hours was live coverage. At the same time Sky provided 383 hours of live coverage (468 hours in total) including 66 live matches of domestic competitions.

- Linkage: Certain sports events are inextricably linked such that any broadcasting decision on one may impact on other. For example, the Ryder Cup and PGA European Tour are closely linked in terms of governance, financial, and competitive structures. Substantial broadcast coverage for European Tour tournaments is facilitated through packaging broadcast rights with the Ryder Cup.

In addition, broadcasting has also supported engagement with the sports through investment in production quality and the development of competitions.

- Production quality and innovation: Increased competition between broadcasters has served to increase broadcast production quality and innovation, for example HD sports coverage and virtual graphics, which has contributed to the promotion of different sports and enhanced viewer understanding of the game. The level of production quality and innovation is dependent on broadcasters investing in such technology to the benefit of sport.

- Competition development: Several sports organisations have benefited from sustained broadcast support which has helped them develop new competitions. Sky's broadcast commitment, coupled with the Rugby Football League's decision to move to a summer game, allowed the RFL to develop Super League. Sky's ongoing commitment has also been crucial in developing the competition brand. Similarly, broadcast support in terms of live match coverage, support programming and promotion, has been integral to the growth of English cricket's Twenty20 competition. Both competitions have achieved large attendance growth.

The wider impact of broadcasting on the sports funding mix

A sports organisation's broadcast strategy is often important in not only determining the level of broadcast revenues generated, but also the revenues received from other sources. The coverage and exposure obtained for certain competitions provides a key tool for leveraging sponsorship and commercial values. The choice of a FTA broadcaster for the Six Nations has provided exposure to wide audiences, which is a key driver of the sponsorship revenues generated by the RFU. In the case of the Ryder Cup, the broadcast coverage achieved by packaging the Ryder Cup with other PGA European Tour tournaments is critical in supporting individual tournaments' sponsorship-driven business models. This impact can also be critical in less mainstream sports, for example England Netball attributes increased broadcast coverage as a key factor in being able to secure a sponsorship deal with the Co-operative.

1 Introduction

1.1 Objectives of study

Deloitte was commissioned by BSkyB to carry out an independent economic study assessing the importance of broadcasting to sport in the UK.

The scope of the study was to assess the impact of broadcasting on the funding of sport in the UK, including the relative importance of broadcast rights revenue within the funding mix of UK sports organisations and how this funding supports various aspects of the sport. The study also considers the wider potential impacts of broadcasting on the level of public engagement with sport and on other revenue streams.

We understand that BSkyB may submit this research, as an independent report, to the Government-appointed panel currently undertaking a review of the UK Free to Air Listed Events Legislation.

1.2 Background

1.2.1 The role of sport

Sport plays a multidimensional role in UK society, contributing to social, cultural and economic objectives. In addition to serving as a source of entertainment, sport provides public health benefits, promotes social cohesion through supporting values such as social inclusion, team work and fair play, and fosters personal development. It also contributes a significant amount to the economy. In 2005 sport-related economic activity accounted for £15.5 billion in England.[1]

The UK has a wide variety of sports organisations, aimed at both professional and amateur levels. These span both private and public sectors, with sports governing bodies, local government authorities, educational institutions (for example schools and universities) and sports clubs each playing an important role in realising the benefits of sport.

The sustainability of the sports financing model to support these organisations is thus important not only to the sports organisations themselves, but to the UK as a whole. Broadcasting is a key funding source for many sports organisations in fulfilling their remits at both the professional and grass roots levels. Factors that impact on the ability of these sports organisations to generate broadcast revenues can therefore place stress on their ability to fulfil this remit, with increased pressure on other sources to cover this potential shortfall.

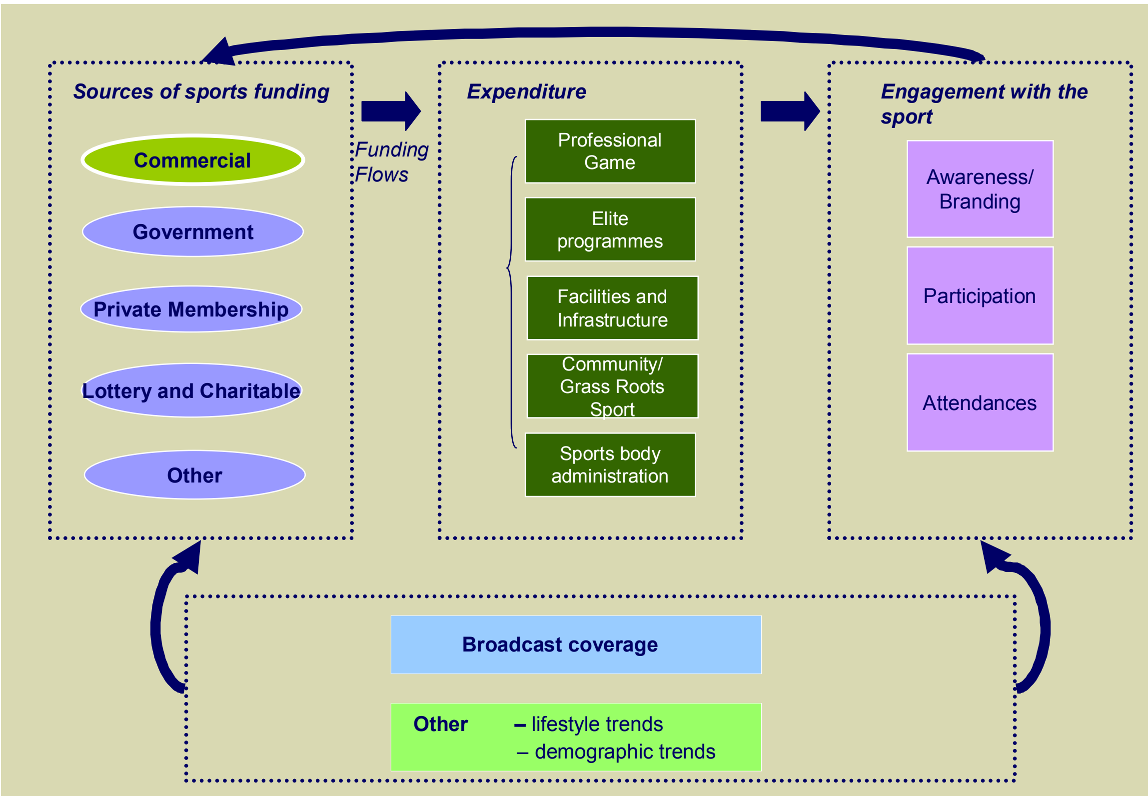
[1] Sport England, *The economic importance of sport in England*, 1985-2005, *Summary Report*, December 2007. Value based on current 2005 prices. Sports-related activity is widely defined and includes, for example, expenditure on retail sports goods.

1.2.2 The UK sports funding model

The sports funding model is complex, with funding being available from a variety of sources, both commercial and public, and this funding being allocated to various areas of a sport, either directly or via a reallocation to other sports organisations, depending on the particular organisation's remit. This spending, along with other factors such as lifestyle trends, broadcast coverage and public policy, in turn affects the overall levels of public engagement with the sport, for example in terms of grassroots participation and attendance at sports events. This level of engagement then impacts on the relative importance of different sources of funding and the overall size of funding available to the sport.

Figure 1 provides a simplified overview of the sports funding model.

Figure 1: The sports funding model



Source: Deloitte

We briefly describe the key sources of sports funding and funding flows below.

Sources of sports funding

Sports organisations in the UK generate revenues from a wide range of sources. The relative contribution from each source can vary significantly depending on the type of organisation. Revenue sources include:

- *Event day* - including general admission ticket sales and corporate hospitality;

- *Broadcasting* - including revenues derived from the sale of live, delayed, and highlights rights across a variety of media – including TV, radio, and online media – to broadcasters in the UK and overseas;

- *Sponsorship and advertising* - including shirt front, competition and stadium naming rights sponsorship and revenues from pitchside perimeter advertising;

- *Merchandising* - typically from the sale of replica kit;

- *Stadia/Facilities* – including the hiring out of stadia for use for non-sporting events such as concerts;

- *Memberships* - many sports bodies and clubs generate income from schemes giving members certain benefits and entitlements; and

- *Government* - from both national and/or local government through a range of schemes.

Sports funding flows

The revenue generated by sports organisations provides the funds by which they are able to invest in their respective sports. The areas of expenditure vary depending on the organisation's role, but can broadly be categorised as:

- *The Professional Game* - including expenditure to maintain and support professional clubs and competitions and events, for example wages for professional players;

- *Elite Programmes* - including spending on representative sport at the national or international level, for example spending on representation by elite athletes at international competitions such as the Olympics, age-grade and women's elite representative sport;

- *Community/Grass roots sport* - including spending on centrally administered initiatives and payments to constituent bodies and clubs;

- *Facilities and infrastructure* - including capital expenditure on the development or maintenance of facilities or sporting equipment; and

- *Administration and operating costs* - including governance and other operating costs.

Funding from these various sources, along with other wider factors such as lifestyle, demographics and broadcast coverage, affects the level of engagement with the sports, be that in terms of awareness of the game, participation in the game or attendance at sports events. These factors in turn can positively impact on the sources of sports funding, including commercial funding sources such as level of sponsorship, advertising, merchandising and ticket sales, as illustrated later in this report.

1.2.3 Assessing the role of broadcasting in sport

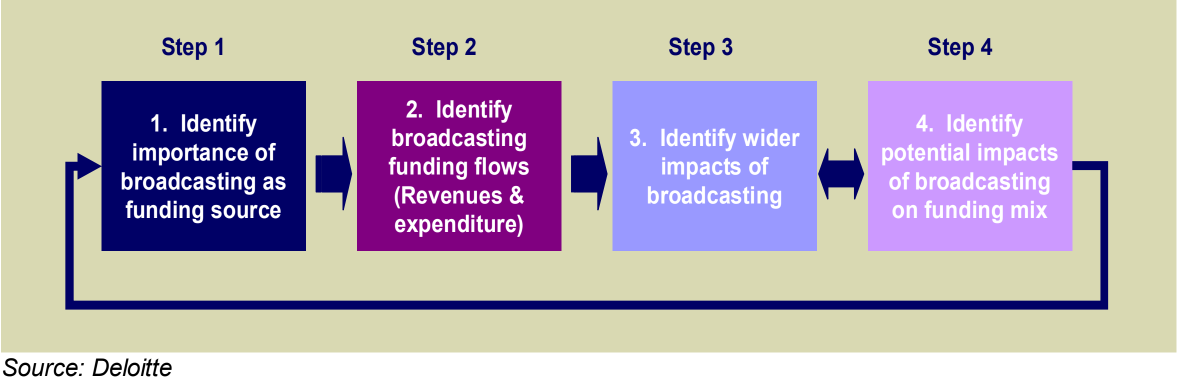
Broadcasting plays an important role for sport, contributing revenue and providing a key 'shop window' for the sport. For example, broadcasting enables sport to be viewed by a much wider audience than just through live attendance.

Sport has experienced an increased media profile over the last decade. This can be partly attributed to increased coverage from Pay TV, which has invested in educating audiences and promoting the sport in order to drive sustainable audiences over time. In the UK FTA sports coverage is provided by the BBC, ITV, Channel 4 and Five. On Pay TV, sports are primarily covered by Sky Sports and Eurosport.[2,3]

Broadcast coverage constitutes one of the factors supporting the popularity and awareness of sports competitions and the level of participation in the game.

In this context, we have adopted an assessment framework for our study that allows us to consider and illustrate the key impacts of broadcasting on sports. Our approach has comprised four steps, as illustrated in Figure 2.

Figure 2: Assessment framework



Source: Deloitte

We briefly outline each of these steps below.

Step 1: Identification of importance of broadcasting as funding source. This step involves determining the different sources of funding for sports organisations, the relative importance of TV broadcast income and consideration of how levels of funding have changed over time, including the contribution of broadcast revenues to these changes.

---

[2] We note that Setanta Sports, previously a key player in the UK sports broadcast market, went into administration on 22 June 2009, and no longer broadcasts in England, Wales and Scotland. ESPN has purchased the English Premier League rights that Setanta was due to show over the period 2010-2013. (BBC News, ESPN buys rights to Setanta games, 22 June 2009).

[3] Whilst TV is the most important means of broadcast, radio broadcasts (primarily through BBC's Radio 5 Live and TalkSport) along with other media platforms including newspapers and magazines also serve to increase audience coverage.

Step 2: Identification of broadcast funding flows. This step involves the identification of funding flows from broadcasters to sports organisations, and from sports governing bodies to individual clubs, and the areas of expenditure on which these broadcast revenues are spent, such as the allocation between the professional game and community sport.

Step 3: Identification of wider impacts. Sports organisations' broadcasting strategies typically comprise other considerations beyond the rights fee received. We therefore identify and illustrate the key wider impacts of broadcasting on sports.

Step 4: Identification of potential impacts on funding mix. Broadcasting has impacts on other streams of revenue growth. For example, in some cases increased broadcast coverage has supported growth in sponsorship and advertising revenue. We have therefore considered the impact of broadcasting on the funding mix of sports organisations.

We have applied this framework consistently across our study in order to highlight the key contributions of broadcasting to sport, and differences across sports. Our study focuses on consideration of the impacts for professional sports organisations.

Illustration with case studies

We have supported our analysis using a selection of sport case studies. In selecting relevant case studies we have aimed to:

- represent a broad picture across a series of different sports;
- illustrate the varying importance of TV broadcast income on different sports and across a range of funding models;
- illustrate different types of impacts of broadcasting on sports including financial impacts and impacts on engagement with the sport; and
- include an example of a less mainstream sport to illustrate how broadcasting impacts on the challenges these sports face.

Table 1 sets out the cases selected and the sections of this report where these are presented.

Table 1: Case selection

Sport	Organisation (s)	Key competitions/events	Relevant section
Cricket	ECB	England home international matches and domestic competitions	Section 3
Golf	PGA European Tour and Ryder Cup LLP	Ryder Cup and PGA European Tour	Section 4
Rugby	RFU	Six Nations, other England home international matches, and certain domestic competitions	Section 5
Rugby League	Rugby Football League, Super League clubs	Super League	Section 6
Football	IFA, SFA and FAW	Home international qualification and friendly matches, and certain domestic competitions	Section 7
Netball	England Netball	National Superleague, and home international matches	Section 8

Source: Deloitte

Our primary source of information has been desk-based research and contact with relevant sports organisations. We have spoken with representatives from the ECB, SFA, FAW, PGA European Tour and England Netball.

1.3 Limitations of our work

Our work has been limited by the time available, scope, information available and limited access to information sources. The information made available to us also includes unaudited information.

2 Overview of findings

2.1 The role of broadcast income in the funding mix

The ability of a sports organisation to maximise revenues is key in enabling it to develop the sport or competition within its jurisdiction and fulfil its remit. Our case studies suggest that the level of broadcast revenue:

- generated as a proportion of sports organisations' total revenues varies across different sports and events; and
- within the funding mix will be driven in part by the level of attraction of a sport or event to broadcasters and the sport or event's broadcast strategy.

For many professional sports broadcast revenue forms an important part of the funding mix, and in some cases, it represents the largest source of revenue. For example, broadcasting rights revenue represents a substantial proportion of the total funding for sports such as cricket (ECB), football (IFA, SFA, and FAW), rugby union (RFU) and rugby league (Super League clubs), as illustrated in Figure 3.

These sports tend to attract considerable viewer interest, therefore making coverage more valuable to broadcasters. For example, in 2007 BMRB International's Target Group Index survey considered which sports consumers claimed to watch on TV, and found that cricket, football, rugby union and rugby league were all ranked in the top ten sports.[4]

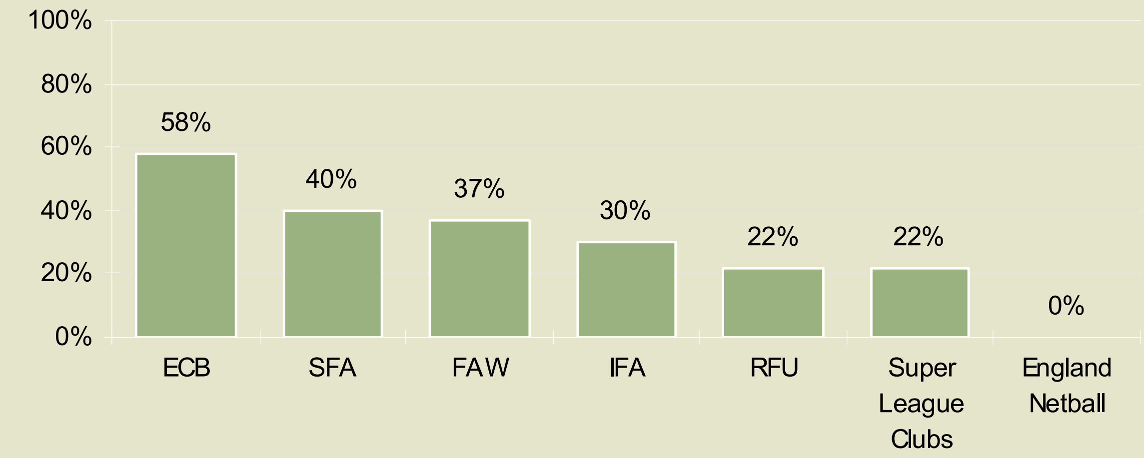
In contrast, other professional sports with less viewer interest are more reliant on alternative sources of income. For example, netball is not considered a revenue driver by broadcasters and it therefore does not attract broadcast rights fees. However, broadcasters may choose to cover these sports as they enhance the variety within broadcasters' channels.

In addition, factors that impact on other revenue sources are also likely to impact on the relative importance of broadcast rights revenue to a sports organisation.

---

4 Sports Market, Keynote Market Review 2008, Twelfth Edition, April 2008 (Sourced from: Target Group Index (TGI), © BMRB International Ltd, 2007).

Figure 3: The relative contribution of broadcasting revenues to total revenues 2008

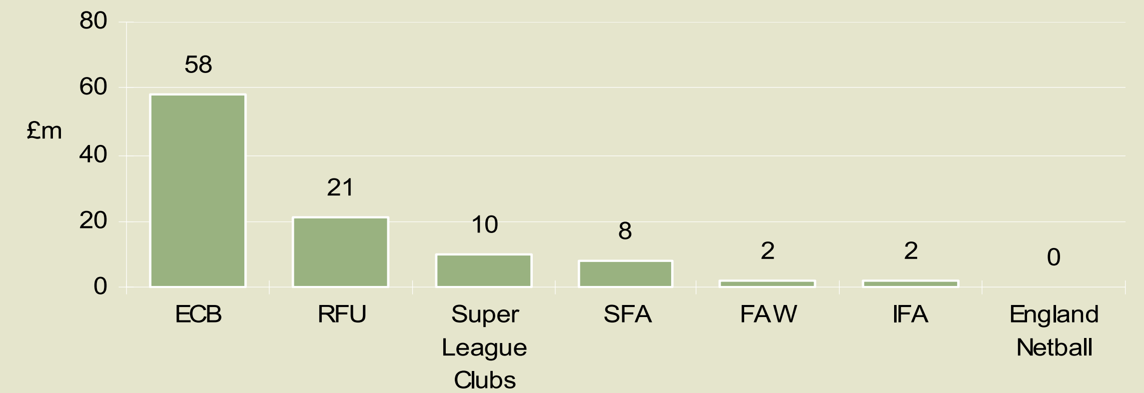


Note: All percentages are for 2008 except Super League which is 2007. ECB and Scottish FA year end is 31 December. FAW, IFA, and RFU year ends are 30 June. England Netball year end is 31 March. Super League club year ends vary. Comparable Ryder Cup/PGA revenue figures are not available.

Source: Annual Reports

The absolute value of broadcasting revenue for some sports organisations is substantial. Figure 4 illustrates that broadcasting rights revenues contribute £58 million per season for the ECB and £21m for the RFU. As we illustrate later, this funding allows significant reinvestment in the game.

Figure 4: Value of Broadcasting Rights Revenue across selected sports (£m)



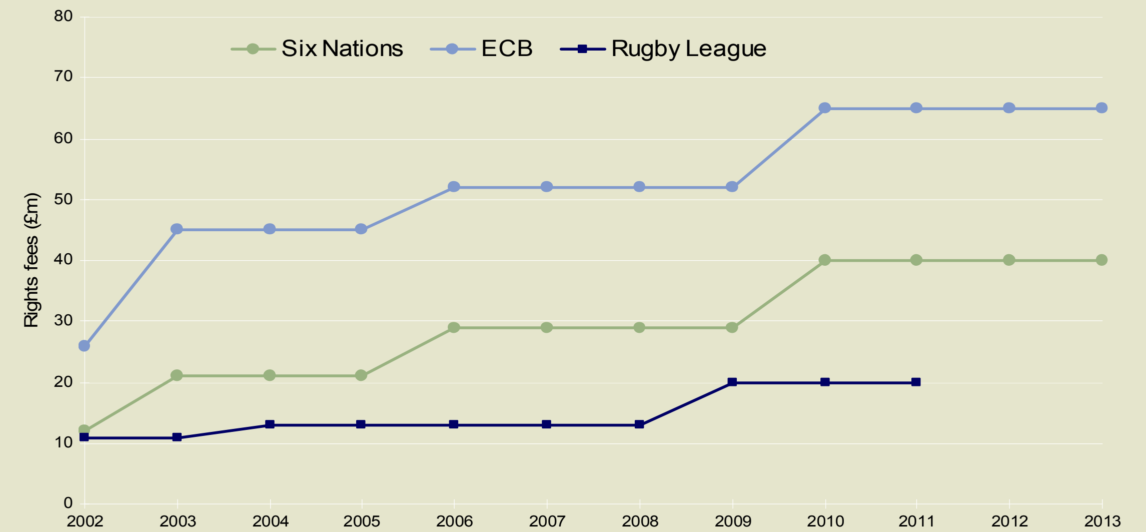
Note: All figures are for 2008, except Super League which is 2007. ECB and Scottish FA year end is 31 December. FAW, IFA, and RFU year ends are 30 June. England Netball year end is 31 March. Super League club year ends vary. Comparable Ryder Cup/PGA revenue figures are not available.

Source: Annual Reports

Broadcasting revenue has increased significantly over time for many sports, enhancing the total revenues available to the relevant sports organisations. This growth in value of broadcasting rights can in part been attributed to competition from Pay TV as well as to changes to competition formats.

For example, Figure 5 illustrates that ECB and RFU Six Nation's rights fees have more than doubled over the period 2002 to 2009, and that future broadcast rights values that have already been contracted will continue this trend. The growth in value of 6 Nations and ECB rights have mirrored one another over a ten year period as, while here is no direct linkage between the value of the two, these are competitions of similar prestige with contracts of similar duration covering similar time periods. The graph also shows how broadcast rights fees for rugby league have increased over the period primarily due to the restructuring of the competition.[5]

Figure 5: Six Nations, ECB and Rugby League rights fees, 2002 to 2013



Note: Rights fees are for UK live and highlights rights and are averaged over the contract period. Step changes in the figure represent new contract periods for which rights have been renegotiated. Rugby League rights fees are for Super League, Challenge Cup and Home International Matches as disaggregated data by competition across all years was not available. As illustrated in our rugby league case study, Super League accounts for the majority of these rights fees.

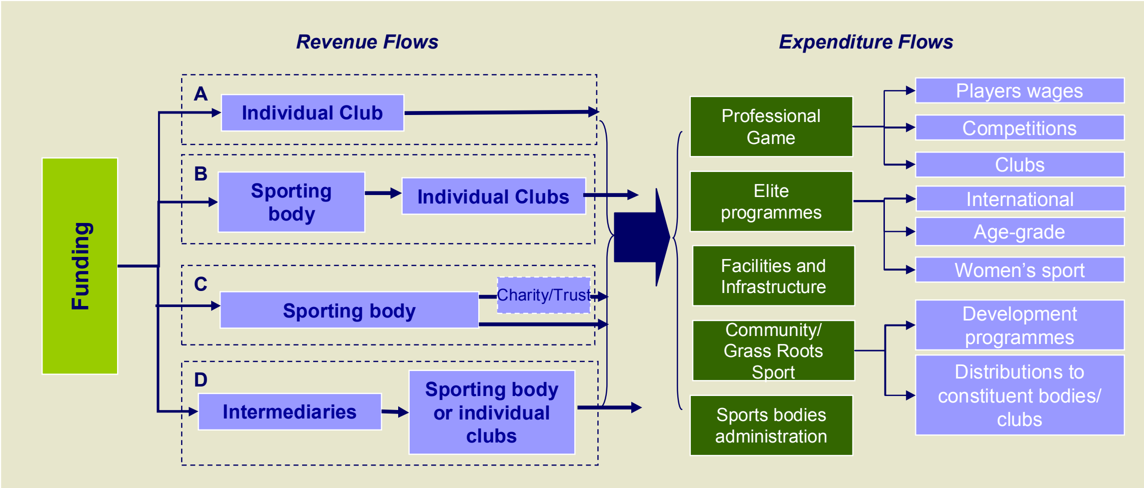
Source: ECB, TV Sports Markets (various editions)

2.2 The impact of broadcast income on sports

As outlined in Section 1, broadcast revenues help support investment into the professional game, elite programmes, community/grassroots development, facilities and infrastructure and sports organisation administrative costs. Revenues might be spent directly by a sports organisation or reallocated, for example from a sports governing body to individual clubs, who will then spend it in the sport.

5 We note that the value of these rights was revised downwards in 1998, however remained higher than prior to substantial broadcaster investment in 1996.

Figure 6: Flows of revenue into various expenditure areas



Source: Deloitte

The level of investment across each of these categories depends on the remit of the governing body, event organiser or club.

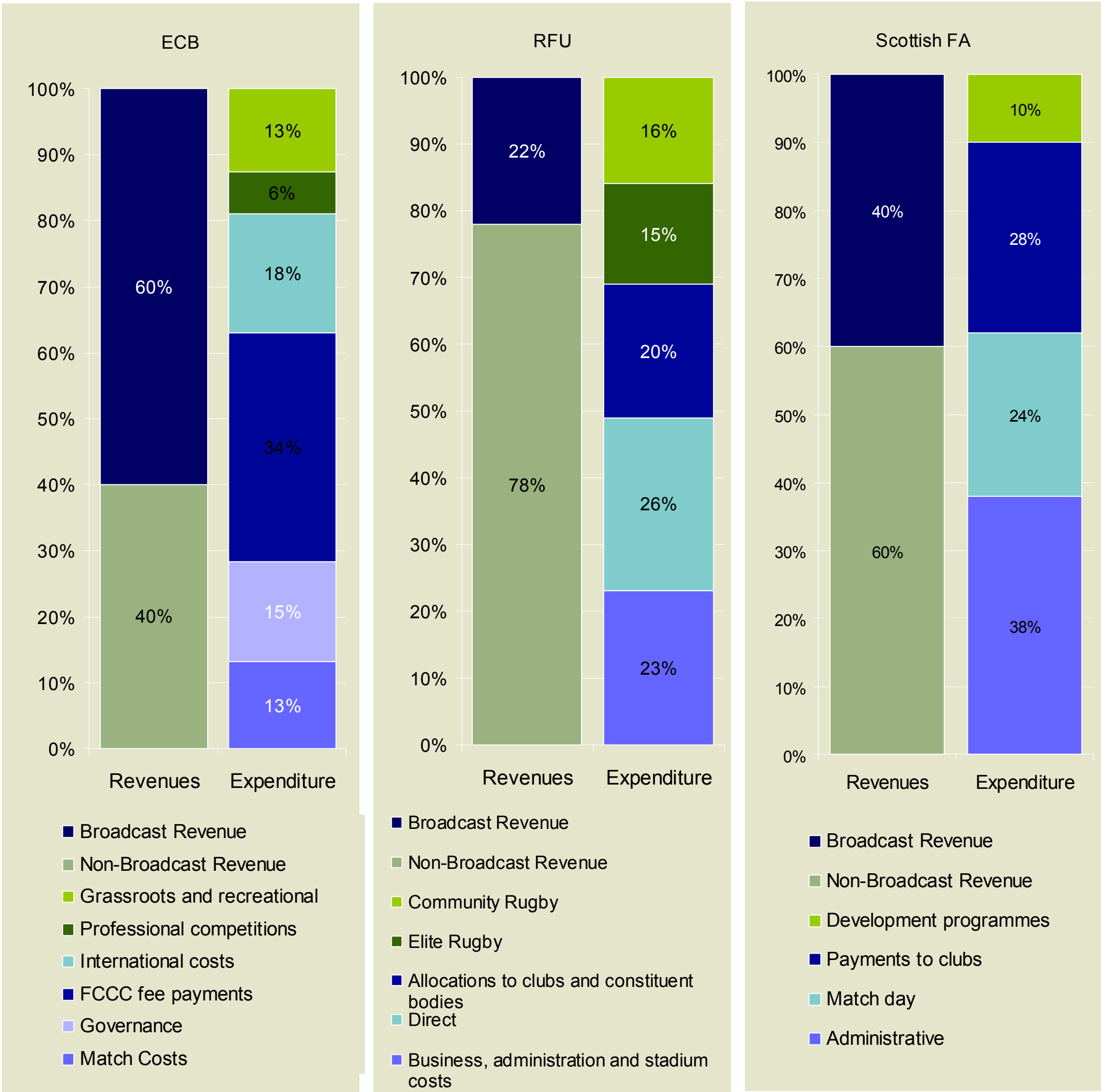
Sports governing bodies have a responsibility for the governance and development of the game at all levels (professional, elite and grassroots). As an example, the ECB, the RFU and the Football Associations' remits include the development and governance of the game, organising amateur and elite competitions, and supporting and encouraging grassroots participation in addition to international sides of the national teams.[6] Accordingly, their expenditure spreads across all of these areas.

In contrast, professional sports clubs are more focussed on success in professional competitions and maximising revenue. Rugby league's Super League is an aggregation of clubs, with a narrower remit than that of sports governing bodies, primarily focused on succeeding in the competition, and invests to a greater extent in player payments.

Figure 7 illustrates the ECB, RFU and SFA split of expenditure as compared to the proportion of their revenues derived from broadcast rights.

6 Refer to ECB, England Netball and RFU websites.

Figure 7: Revenue and expenditure by sport/category



Note: Payments to clubs by national sports bodies are in turn allocated across different aspects of the game such as professional, elite and grassroots sports.

Source: ECB, RFU, SFA.

As broadcasting contributes a significant proportion of the total funding available to some sports organisations, changes in this revenue can be expected to impact on all the areas for which the organisation is responsible. In particular, Figure 7 shows the following.

- *Cricket.* The ECB derives c.60% of its revenue from broadcast rights. In turn it spends over two-thirds (71%) of its budget on community/grassroots programmes and the elite game (encompassing international cricket, professional competitions and First-Class County Cricket Club (FCCC) payments). It spends the remainder (29%) on administrative and governance costs.

- *Rugby Union.* Broadcasting represents 22% of the RFU's revenues. In turn, the RFU spends around half of its outgoings on direct costs associated with generating its non broadcast revenues, business, administration and stadium costs. The other half is spent on payments to clubs, elite and grass roots rugby.

- *Football.* Broadcast revenues represent 40% of the Scottish FA's revenues. Administrative and match day costs represent around a half of total costs, with payments to clubs and development programmes accounting for the rest of expenditure.

Sports bodies and clubs' expenditure in respect of organising matches and competitions, maintaining facilities and paying their own administration costs are required in order to support the game. If revenues decrease these areas of expenditure are less likely to be affected than other areas. In contrast, the level of funding available for elite programmes and the community game is often the 'balancing figure' for sports governing bodies. That is, the amount of money allocated to these areas is dependent on the level of funds available after having fulfilled other parts of their remit. The more revenue generated, the greater the potential size of this balancing figure and hence the opportunity for elite and community game funding to be increased. For example, as illustrated in our case studies:

- Cricket. Revenue growth has allowed the ECB to invest in the game. Over the period 2000 to 2008 grassroots expenditure more than doubled (140% growth, representing the largest relative growth across expenditure categories), with payments to clubs increasing by the largest absolute amount (£11m to £33m). The new ECB broadcast contracts for the period 2010-2013 will lead to an increase in payments to FCCCs by 34% from 2010, as well as increased spending on grassroots).

- Rugby Union. Over half of the RFU's revenue growth (£44m) between 2000/01 to 2007/08 has flowed directly to community rugby expenditure (which increased by £10m) and allocations to clubs and constituent bodies (which increased by £13m).

- Football. Given that administrative and match costs are largely fixed, or dependent on the number of home matches, the more revenues a FA is able to generate the more it is able to invest either in payments to clubs or development games. As an example, the SFA's total revenues increased by £2.9m between 2004 and 2008 with payments to clubs participating in the SFA Cup increasing by over half a million pounds over that period.

Broadcast revenues are largely 'clean' revenues. There is relatively little cost associated with broadcast revenues (except for a rights fee), unlike other revenue streams such as sponsorship, event day (corporate hospitality and ticketing) and merchandising. Therefore broadcast revenues largely flow straight through to the bottom line of sports bodies and clubs and hence are key in determining how much an organisation can spend over and above administration and event day costs. This point is consistently illustrated across our case studies. For example:

- Rugby Union. Direct costs (ticketing, sponsorship, hospitality, catering) and merchandising and licensing costs are offset against match day and merchandising revenues. This emphasises the fact that broadcast revenues are largely 'clean' revenues for the RFU with broadcasters paying a rights fee and minimal costs being incurred by the RFU.

- Golf. Broadcast revenues received by the Ryder Cup from ETP are key to the competition's business model given that they have relatively little associated cost and hence flow directly towards covering operating costs and providing any surplus for distribution amongst the shareholders[7].

- Football. Broadcast revenues directly impact on the level of payments to clubs and expenditure on centralised development programmes, due to the limited costs associated with the SFA's rights revenues.

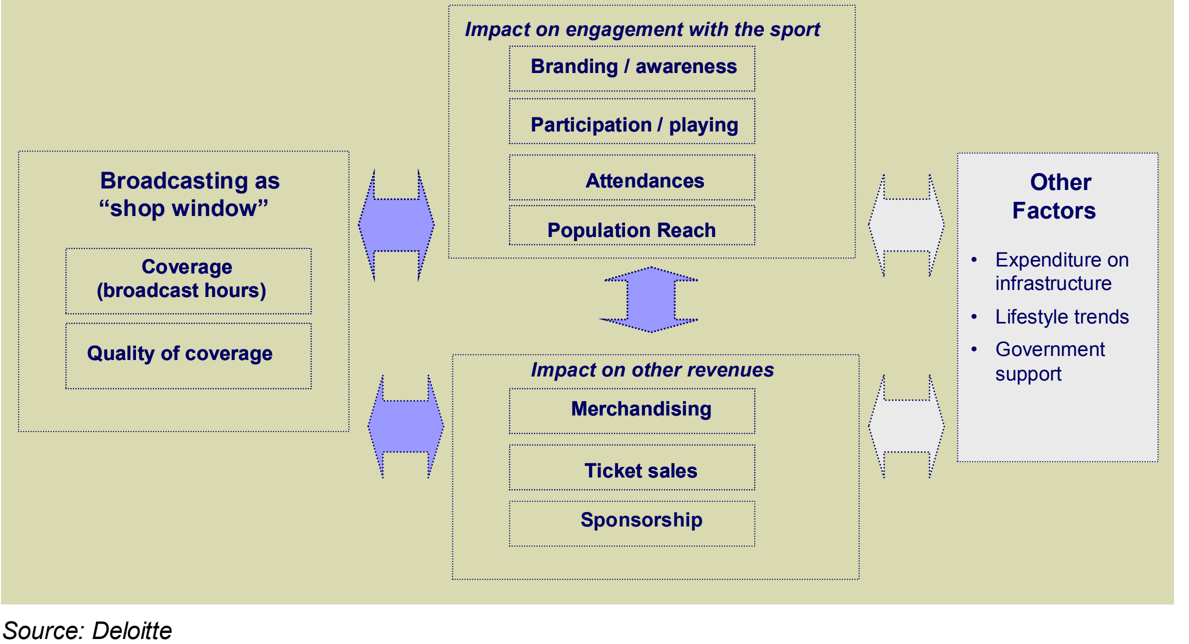
As such, should broadcast revenues be significantly reduced, there is a risk that the current level of expenditure on grass roots, elite programmes and allocations to clubs could not be sustained.

2.3 The wider impacts of broadcasting on sport

In addition to receiving the direct financial benefit of broadcast revenues, broadcasting provides sports organisations with a range of wider benefits important to their remits.

Broadcast coverage provides a key shop window for sports. More extensive coverage of a sport and high quality broadcast delivery impacts on the degree of individuals' engagement with the sport. In particular, they support the popularity and awareness of the sports' competitions, the level of participation and attendance at events, and the value of other revenue streams.

Figure 8: The wider impacts of broadcasting on sport



Source: Deloitte

7 Ryder Cup Europe LLP has three shareholders - the PGA European Tour, the Professional Golfers' Association of Britain and Ireland and the Professional Golfers' Associations of Europe.

Broadcasting as a 'shop window'

Broadcast coverage

Broadcasting provides the ability for a sport or event to achieve substantial coverage and exposure, and through the ability to package broadcast rights, the opportunity to leverage coverage of other sports events within a sports organisation's portfolio.

Broadcast coverage of sports has increased over recent years, largely driven by the development of digital multichannel TV, which has greater airtime capacity and hence more scheduling flexibility. Breadth and depth of coverage across a wide range of sports is also considered important in order to enhance the broadcasters' channels.

Multichannel broadcasters contribute over 95% of sports broadcast hours in the UK, with PSB broadcasters contributing the remainder[8]. Between 2005 and 2007, sports coverage increased by over 60%, primarily due to increased coverage from multichannel providers, including the launch of additional channels. The number of sports channels in multichannel homes increased from 9 in 2002 to 16 in 2007. [9]

Over the period 2005 to 2007 overall PSB broadcasters' sports hours fell slightly, by 1%, to just over 4,100 hours in total. While the BBC and ITV's sports coverage increased – by 6.8% to 1,596 hours and 9.3% to 375 hours respectively – Channel 4's coverage decreased to 807 hours and Channel Five coverage remained relatively static at over 1,400 hours. Sky Sports' coverage increased 17% to 46,750 hours (an additional 6,900 hours).[10] Other multichannel provider coverage increased by nearly 50,000 hours, primarily due to new channel launch, such as new Setanta Sports and Eurosport channels on pay satellite, cable and DTT[11,12].

---

[8] In 2007 the BBC1, BBC2 and BBC3 channels contributed 1.2% of total sports broadcast hours, ITV1, 0.3%, Channel 4 0.62% and Five 1.1%

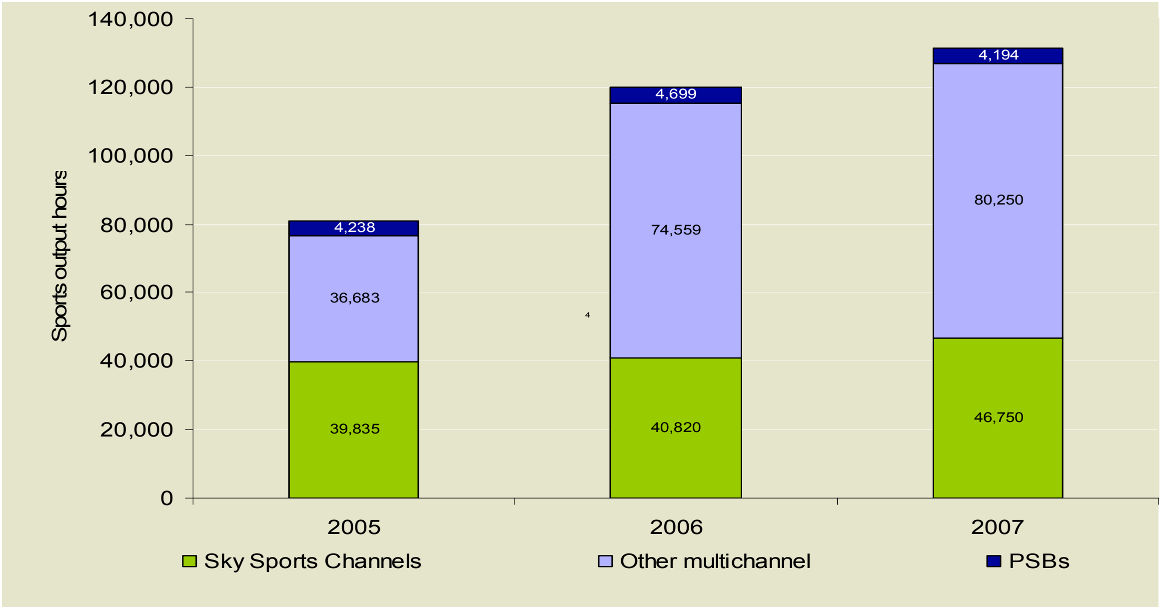
[9] Ofcom Communications Market Report, 14 August 2008, p. 227.

[10] Sky sports press releases, December 2005 to 2008.

[11] Ofcom Communications Market Report, 23 August 2007, 14 August 2008.

[12] Setanta Sports significantly expanded from 2004, having won the rights to the Scottish Premier League in 2004 and the rights to the English Premier League in 2006. In addition, Setanta launched Setanta Sports News, a 24 hour channel, in 2007. As noted in footnote 3, Setanta Sports, went into administration on 22 June 2009 and no longer broadcasts in England, Wales and Scotland. ESPN has purchased Setanta's English Premier League rights and at the time of writing other relevant sports rights are in the process of being re-sold. Eurosport2 was also launched in 2005 (Media UK www.mediauk.com/tv).

Figure 9: Hours of sports broadcast coverage – PSBs and multichannel broadcasters



Source: Ofcom Communications Market Reports 2006-2008; Sky Sports press releases

This increased coverage includes both more in-depth coverage of particular sports and increased coverage of additional minority sports, including all the case studies covered in this report.

Given the nature of some sports, they require greater airtime commitment from broadcasters (for example test cricket matches and golf tournaments). Often digital multichannel broadcasters are better able to offer this in depth coverage given the greater channel availability. For example, in 2008 BSkyB committed over 1,100 hours to international and domestic cricket, and over 1,000 hours to coverage of golf's 2008 European Tour, including 720 hours of live coverage.

Increased coverage is particularly important to minority sports. Given these sports attract lower viewing numbers they are unlikely to generate enough advertising revenue to be supported by FTA. However such sports are covered by multichannel Pay TV broadcasters due to the greater channel availability and the ability of those sports to enhance the variety within broadcasters' channels. For example, the netball Superleague has a dedicated two hour weekly timeslot on Sky Sports during their season.

In some cases, sports organisations sell their broadcast rights as packages in order to increase the coverage (in terms of number of matches) of the sport broadcast overall. The ability to package these matches has allowed sports organisations to showcase its sport, leveraging exposure for other competitions. Prominent examples from our case studies include the ECB and RFU packaging of domestic competitions with internationals and golf's packaging of the European PGA Tour with the Ryder Cup.

The combination of FTA and Pay TV can deliver extensive broadcast coverage. Our case studies outline how sports such as cricket, golf, rugby union and rugby league have been able to achieve a balance of extensive in-depth coverage, reach, as well as broadcast rights revenues. Nevertheless, some major spectator sports' strategy is such that they choose to broadcast on FTA in order achieve the widest possible audience.

Innovation

Innovation in broadcasting, through improvements in broadcasting quality and innovations to sporting formats, has helped promote different sports and enhance the understanding of the game. Improvements in broadcast quality have arguably been enhanced by competition between FTA and Pay TV. Innovations include the following.

- High Definition Sport TV, which offers consumers clearer, sharper pictures, with images more detailed than standard definition. Sport is considered a particularly suitable genre for high definition television.[13] There are currently three BSkyB channels dedicated to high definition sports coverage: Sky Sports HD 1 and Sky Sports HD 2 (launched in 2006), and Sky Sports HD 3 (launched in 2008). [14] The BBC launched a trial high definition channel in 2006. This was launched as a full service in 2007, however it is currently only available on satellite and cable (not the Freeview platform) and first run showings of sport and acquired feature films are restricted to less than 20% of output each year, except on occasions of major sporting events.[15] Eurosport launched an HD channel in 2008[16]. Coverage in high definition is illustrated in our cricket, golf and rugby league case studies.

- Interactive channel capability, where consumers can choose which game to watch or which camera to watch from. This is illustrated in our golf case study.

- Technological innovations such as slow-motion replays, measuring of ball speeds, virtual graphics. wicketcam, skytrack, super slow motion, stump mic, captain mic, hotspot and third umpires. This is illustrated in our cricket and rugby league case studies.

In certain cases broadcast commitment through coverage has also supported the development by sports bodies of new competition formats or the competition brand. Examples include rugby league's Super League and English cricket's Twenty20 Cup. In addition, a broadcaster may commit significant spend to a sport. For example, broadcaster commitment to Twenty20 matches included additional airtime promotion and marketing.

---

[13] Ofcom Market Impact Assessment of the BBC's High Definition Television Proposals, A report of market research conducted for Ofcom by Illuminas, 18 September 2007. Based on market research, this report found that the main types of programme that consumers watch more after adopting high definition are sports, films and documentaries. Consumers would like to be able to watch all their favourite programming in high definition, especially sports programmes.

[14] Sky Annual Reports and press releases.

[15] BBC Annual Reports and BBC HD Service Licence, issued 7 April 2008.

[16] HDTV News, *Eurosport adds HD channel to Sky,* 15 July 2008.

Impact of broadcasting on engagement with the sport

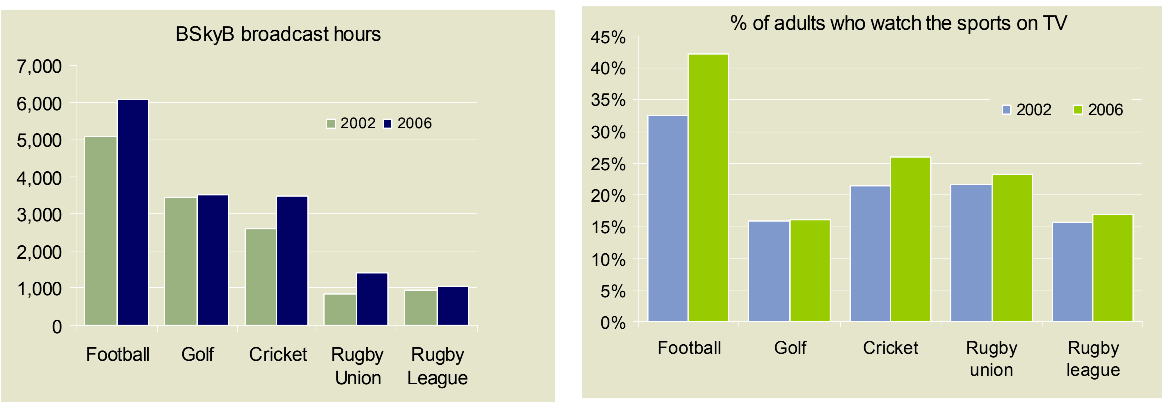
Awareness/competition branding

Broadcasting coverage is a driver of public awareness and popularity of a sport, as well as an opportunity to develop the competition brand. Whilst for some sports organisations, broadcasting contributes a relatively low proportion of total revenue, it represents a key 'shop window' for the sport.

For example, historically there has been little broadcast coverage of netball, as it is not viewed as an audience driver by broadcasters. More recently, the sport has achieved broadcast coverage through partnership with BSkyB and reported viewing figures of 85,000 per week in 2008.[17] Further examples from our case studies include coverage of domestic rugby union, rugby league and cricket matches.

We have considered available data on the popularity of televised sport and the number of BSkyB broadcast hours for that sport for our selected case studies over the period 2002 to 2006[18]. Factors beyond broadcast coverage also contribute to the popularity of sports, and therefore it is not possible to determine precisely the contribution from broadcast coverage to increased awareness. However we observe that as the number of broadcast hours of the sport increased, the proportion of UK adults who claimed to watch the sport also increased. Information on broadcast hours of these sports beyond BSkyB was not available.

Figure 10: Change in BSkyB broadcast coverage hours and popularity of watching sport – case study sports



Note: Data for the netball case study was not available. Annual sport broadcast hours and percentage of adults who watch a sport on TV will vary depending on when major sporting events occur, for example the Rugby World Cup.

Source: BSkyB, BMRB International's Target Group Index 2007 survey

[17] All England Netball Association Limited Annual Report 2008, p. 4.

[18] Data from Sky on Sky's broadcast coverage of different sports, and BMRB International's Target Group Index 2007 survey figures (Sports Market, Keynote Market Review 2008, Twelfth Edition, April 2008). More recent data was not available.

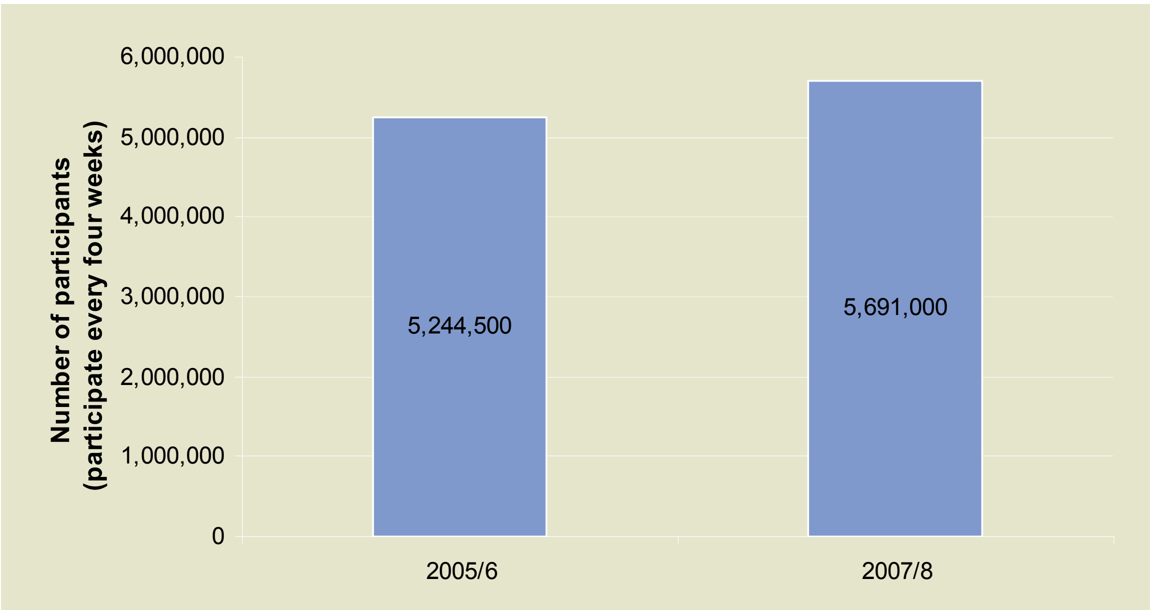
Broadcasting provides the ability for a sport or event to reach a much greater audience than only through live attendance. However sports organisations typically balance the wider reach of FTA with the ability of pay TV to provide important revenues that are key to funding the sport, as illustrated in our case studies of cricket, English rugby union, rugby Super League and golf.

Participation

Broadcasting coverage and the associated increased public awareness, together with the funds available from various income sources, can also serve to encourage involvement in sport at the grassroots level, through playing, coaching, or volunteering, and in terms of attendance at sports events.

While it is difficult to isolate the impact of broadcast coverage on participation, given there are a variety of other factors that impact participation, we can generally observe that grass roots participation in sports that are broadcast has increased over time. For example, the level of participation for our case study sports rose over the period 2005/06 to 2007/08 by 446,500 in aggregate[19].

Figure 11: Participation in case study sports



Source: Sports England Active People Survey 2007/2008 fact sheets, level of participation, by sport (participation once every four weeks). Figures are aggregated participation across our case study sports: cricket, golf, rugby union, rugby league, football and netball.

We have also considered attendance trends for our selected case studies. The data that we have available suggests that the level of attendances for some of these sports has increased over a period with the level of broadcast support being a key contributor to this growth. This is illustrated in

[19] Sports England Active People Survey 2007/2008 fact sheets, level of participation, by sport (participation once every four weeks). The Active People Survey began in 2005/2006.

our cricket and rugby league case studies where the Twenty20 Cup and Super League attendances have increased as Pay TV has helped to 'create the event' and build the competition's brand[20].

In addition to coverage, commitment from a broadcaster in terms of direct funding of community initiatives can also support participation in sport. For example, BBC Sport hosts the Sport Academy website, aimed at encouraging participation.[21] Since 2006 Sky Sports has directly sponsored the ECB's Coach Education Programme, with a reported 13,000[22] coaches having benefited from the scheme from 2006.

2.4 The wider impact of broadcasting on the sports funding mix

Broadcast coverage for sport not only provides a revenue return in terms of rights fees, but also offers a promotional platform from which other commercial revenues, such as sponsorship, advertising, and merchandising, can be generated. In turn, these revenues are often reinvested in the development of the game.

Whilst it is not possible to quantify the direct impact of broadcast coverage on other revenues, our case studies provide a series of illustrative examples of how broadcast coverage helps support the overall funding mix. Those examples are summarised here, with further detail provided in the following case studies.

Sports sponsorship is a key income stream closely related to media coverage. The greater the audience, the more sponsors and advertisers are willing to pay as a greater number of "eyeballs" see their advertisements. Examples include the following.

- *RFU.* The broadcast of Six Nations on FTA has provided exposure to wide audiences. The exposure that FTA offers is a key driver of the sponsorship revenues generated by the RFU.

- *Ryder Cup.* As the UK is a major commercial market, being able to gain exposure within the UK is an important driver within many sponsors marketing mix. Sponsorship comprises the majority of revenue for many PGA European Tour tournaments. Whilst certain tournaments are more attractive to audiences than others, the commitment of broadcasters, particularly in major European countries, to provide extensive coverage is key to building a critical mass of financially sustainable tournaments to comprise the Tour. The extensive and in-depth broadcast coverage provided is closely linked to being able to acquire rights to the Ryder Cup, a premium event.

---

[20] Twenty20 cricket total attendances more than doubled from approximately 257,800 in 2003 to 593,700 in 2008, showing a 14% increase in average attendance per match. Average Super League attendances per match for regular season matches increased by over 50% over the period 1996 to 2008, from approximately 6,500 to more than 10,300.

[21] BBC Sports Academy website.

[22] Sky website (http://www.jointhebiggerpicture.com/Sport/ECBCoaching/Coachingthecoaches.aspx)

- *Netball.* England Netball attributes increased broadcast coverage to being able to secure a sponsorship deal with the Co-operative. In its 2008 annual report it states "The collaboration with Televideo and the Sports Channel to broadcast the Netball Superleague on Sky Sports was the catalyst for the significant sponsorship deal with The Co-operative. This proved to be a landmark deal for England Netball…"[23].

- *Cricket.* Broadcast coverage provides the FCCCs with exposure which facilitates the negotiation of sponsorship and commercial contracts.

Broadcasting coverage can also impact event day income through increasing accessibility and popularity of the sport. In addition to increased attendances, broadcast revenues can be used to boost match day income, for example through the investment of this revenue in the expansion and improvement of stadia.

2.5 Implications for sporting organisations' broadcast strategies

Our case studies indicate that in deciding on their broadcast strategy, sports organisations will consider each of the factors discussed above, in summary:

- The direct financial benefits as a result of broadcast rights revenue, including the level of the broadcast rights fees that can be generated which can be spent on the sport.

- The wider impacts of broadcasting on their sport. This includes:

    - the ability to achieve coverage and exposure for a sport or event as well as to leverage coverage of other sports events within a sports organisations' portfolio;

    - the ability to raise awareness of the game and to educate audiences in order to enhance the interest in the sport;

    - the ability to encourage participation in the game, either through attendances or involvement in the sport.

- The wider impact of broadcasting on other revenue streams. For example the ability of broadcast coverage to support funding streams such as sponsorship and advertising.

As illustrated across our case studies, an organisation's broadcast strategy typically includes delivery through FTA, Pay TV or a combination of both. It may also include 'new media' strategies and coverage in other more traditional forms of media such as magazines.

In practice, many professional sports organisations choose a combination of FTA and Pay TV broadcast coverage for live and highlights broadcast rights, which allows them to achieve what they consider an appropriate balance of reach, in-depth coverage of a particular sport and broadcast rights revenue to fund various aspects of the game. This often involves a Pay TV broadcaster purchasing the live rights with FTA screening highlights, though sometimes for their own strategic

[23] All England Netball Association Annual Report 2008, p.15.

reasons the rights owner will select a FTA partner for the live rights as illustrated by the examples below.

- Rugby Union. The Six Nations Committee is free to negotiate its live rights with all broadcasters and has consistently showcased the sport on FTA in order to gain wider audience reach[24]. The Six Nations Committee's strategy of FTA coverage for the tournament combined with the RFU's partnership with BSkyB for England home matches outside of the Six Nations means that the RFU benefits from an overall package each year of substantial revenues, full live coverage of England home matches and exposure.

- Cricket. The ECB has chosen BSkyB for its live coverage of England home international and domestic matches in order to ensure the depth of coverage that the nature of cricket requires, and generate greater broadcast rights revenues in order to invest in the game. FTA broadcaster Five has the rights to highlights coverage, consisting of highlights per day of international matches and limited over games. To maximise exposure the ECB stipulates that these highlights on Five must be shown in a specific prime time slot, something past broadcast partners have not done.

- Golf. UK broadcast rights to the Ryder Cup and European Tour are currently negotiated as a package with BSkyB, in partnership with the BBC. BSkyB shows 32 events per year, committing a substantial amount of airtime to golf coverage. The BBC shows extended highlights of the Ryder Cup on each day of play. BSkyB is reported to pay the vast majority of the broadcast rights revenues received by the Ryder Cup/European Tour.

- Rugby Super League. Rugby Super league is broadcast on BSkyB, with FTA coverage of the sport through the BBC's coverage of the Challenge Cup. This provides a combination of significant rights fees (the fee paid by the BBC is a fraction of that paid by BSkyB), and substantial reach for the sport.

- Football. The Scottish FA, FAW and IFA each currently have a combination of Pay TV (UK wide live coverage) and FTA (highlights) for its home senior international matches.

The more choice a sports organisation has in terms of potential media platforms or partners, the more opportunity it has to best achieve its remit.

[24] Although BSkyB held rights to England home matches for the five year period to 2001.

3 Case study: England & Wales Cricket Board

3.1 Summary

The key impacts of broadcasting on the ECB are outlined below.

- UK broadcast revenues have driven ECB overall revenue growth, accounting for £24m (c75%) of the £33m increase in total gross revenues between 2000 and 2008.
- This revenue growth has allowed the ECB to invest in the game. Over the period 2000 to 2008:
  - payments to FCCCs increased by the largest absolute amount (£11m to £33m).
  - grassroots expenditure increased by the largest relative amount (£5m to £13m).
- The nature of cricket requires a substantial airtime commitment from broadcasters, with Sky broadcasting 671 hours of England home international cricket in 2008 covering Tests, limited overs matches, women's and age-grade matches. Over half of this total (371 hours) was live coverage.
- The ECB has been able to leverage significant coverage for the domestic game (468 hours in 2008). FCCCs benefit from the broadcast coverage they receive with this exposure facilitating the negotiations of sponsorship and commercial contracts, as well as from increased broadcast revenue received from the ECB.
- Broadcast support for Twenty20 cricket, in the form of live match coverage and additional promotional support, has been key to the competitions' and sport's development.
- Investment and innovation in broadcast production and quality have been integral in promoting the sport with developments including high definition, super slow motion, snickometer, and hawk-eye.

3.2 ECB overview

The England and Wales Cricket Board (ECB) is the governing body for cricket in England and Wales. As such, its remit broadly covers:

- the development and governance of the game;
- the organisation and administration of competitions at both a professional and amateur level; and
- the delivery of, and infrastructure around, the men's, women's, and age-grade national teams.

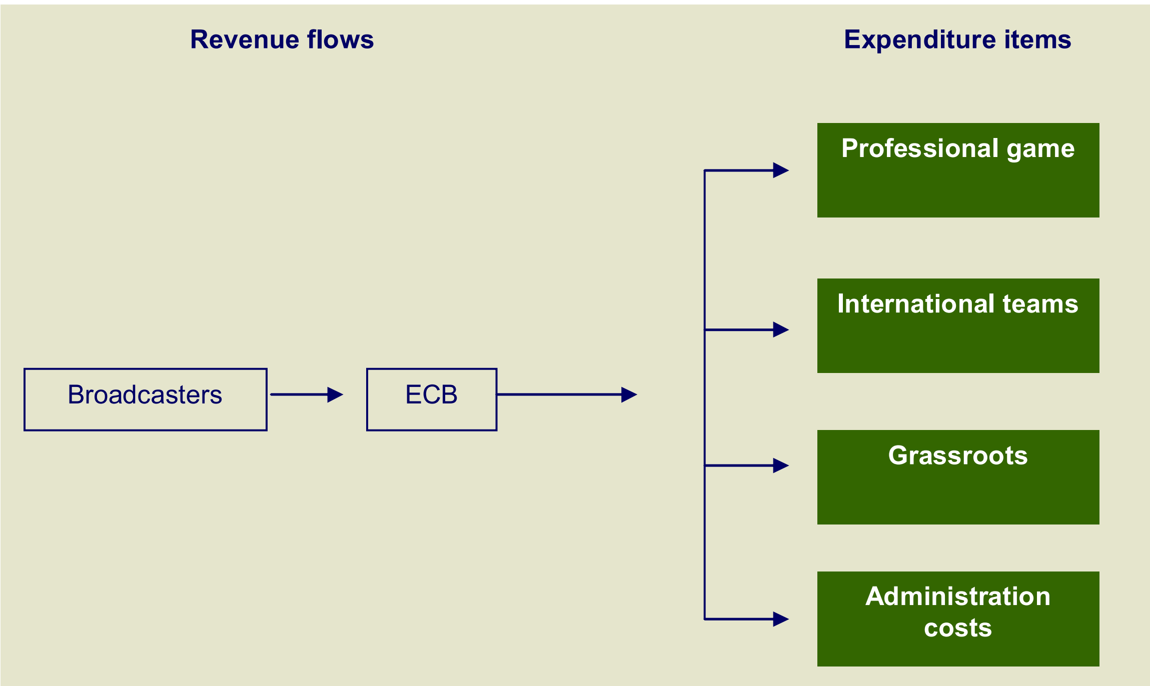
3.3 The role of broadcast income on the ECB's funding mix

The main sources of revenue for the ECB are derived from home international matches and domestic competitions, and are principally:

- broadcast – from the sale of media rights (including live, highlights, radio and new media) to England home international matches and domestic competitions to domestic UK and overseas broadcasters;
- matchday – these typically come in the form of staging fees paid by FCCCs which host international matches;
- merchandising – from the sale of ECB branded merchandise including England team replica kit;
- sponsorship – from partners to the national teams and domestic competitions; and
- other – including other commercial revenues and government grants.

The revenues generated provide the ECB with funds to support the various international teams, domestic competitions, and grassroots development. The flow of broadcast revenues into key expenditure areas is summarised in the figure below.

Figure 12: ECB Funds Flow



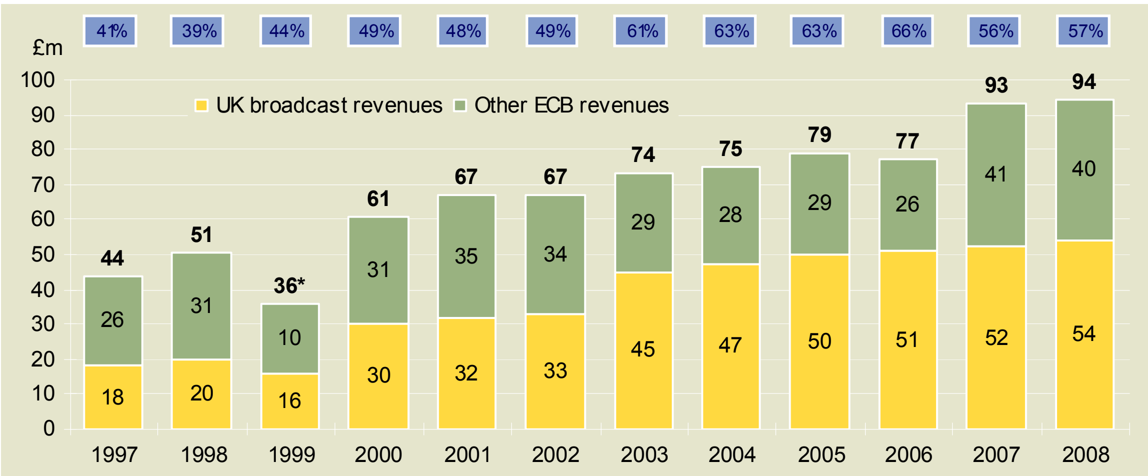
Source: Deloitte analysis

The ECB sells broadcast rights for its home international matches and domestic competitions as a package for live, highlights and other media rights. The last four contract periods have covered the periods 1995 to 1998 (four years), 1999 to 2003 (four years), 2003 to 2005 (three years), and 2006 to 2009 (four years).

From June 1998, Test match cricket was moved to Group B within the UK's listed events legislation, meaning that highlights rights should be offered to FTA broadcasters, rather than previously when live coverage was required to be offered.

The figure below indicates the absolute amount, and proportion, of total ECB revenues contributed by UK broadcast revenues for the period from 1997 to 2008.

Figure 13: ECB broadcast revenues as a proportion of total revenues 1997 to 2008



Note: UK broadcast rights revenues include payments to the ECB in respect of live, highlights, and other media rights. The revenues disclosed in ECB annual financial statements include gross income from certain international matches, with a relatively small proportion of this income retained by the ECB. For example, ECB total revenues as per Management Accounts (excluding non-retained income in respect of certain international matches) totalled £81m in 2008, with UK broadcast revenues contributing 67% of this total. Blue boxes show UK broadcast revenues as a percentage of total revenues. Revenues in 1999 exclude revenues from the 1999 Cricket World Cup (£48m). UK broadcast revenues shown above for each year may vary from figure 12, which shows the reported average UK live and highlights rights fees paid only.

Source: ECB

The figure highlights the contribution of broadcast revenues in driving the ECB's overall revenue growth. For the period 1997 to 2008, covering four contract periods, total ECB revenues have more than doubled to £94m[25]. Around 75% of this revenue growth is due to increases in UK broadcast revenues, with an average of c£52m per year for the current contract period 2006 to 2009, compared to £18m in 1997.

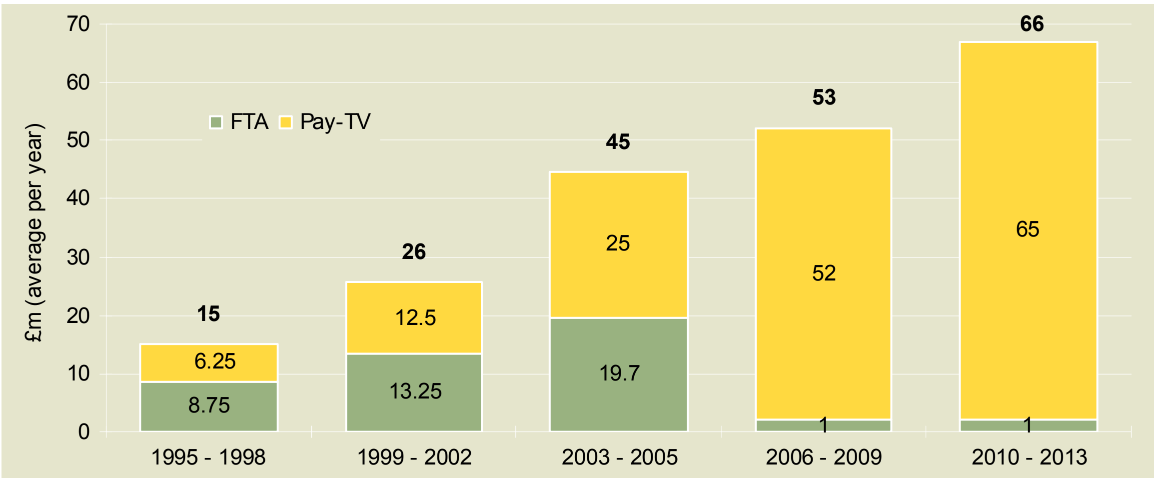
[25] Revenue figures are as indicated in ECB financial statements. Revenues include gross income from certain international matches, with only a small proportion of this income retained by the ECB. ECB revenues as per Management Accounts (excluding non-retained income in respect of international matches) totalled £81m in 2008

For the period 2000 to 2008, covering the last three contract periods, UK broadcast revenues increased from £30m to £54m (80%). The rate of growth of other revenue sources has been lower and more volatile with an increase of £9m (c30%) over the period 2000 to 2008.

UK broadcast revenues contributed around 57% of the ECB's total revenues in 2008 compared to 34% in 1997[26]. It should be noted that the ECB reports total broadcast revenues, including income from overseas broadcasters, to currently contribute over 60% of total gross revenues.

From 2010, the ECB's broadcast revenues are set to increase further following the negotiation of new four-year contracts reported to be worth £66m[27] per year for live and highlights rights, an increase of over £10m per year on current agreements. The figure overleaf outlines the level of UK rights fees paid over the last four contracts, and for the contract from 2010, split by broadcaster.

Figure 14: ECB reported annual broadcast revenues for UK live and highlights rights 1995 to 2013



Note: The BBC was the FTA broadcaster for the period 1995 to 1998, and Channel Four was the FTA broadcaster for 1999 to 2002 and 2003 to 2005. FTA broadcaster Five acquired highlights for 2006 to 2009 and 2010 to 2013, with rights fees for these contract periods estimated.

Source: ECB, TV Sports Markets (various editions)

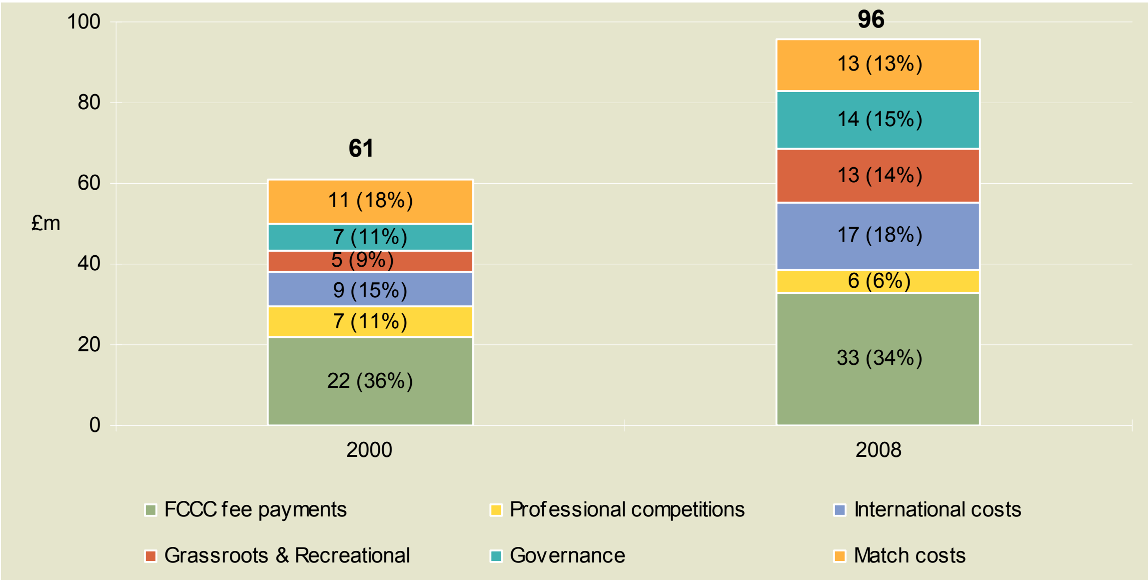
3.4 The impact of broadcast income on cricket

The level of revenues generated by the ECB determines the amount it has available to spend, particularly in relation to the fee payments to the 18 FCCCs, professional competition costs, grassroots development, and costs in relation to international sides. The figure below shows the level of expenditure in each of these areas in 2008.

[26] UK broadcast revenues as a proportion of total ECB revenues excluding non-retained international match revenues was 67% in 2008.

[27] TV Sports Markets (15.08.08) and ECB consultations

Figure 15: ECB expenditure by category 2000 and 2008



Source: ECB

The figure indicates that the revenue increases that have been driven by the increased value of broadcast contracts have flowed through to increased funding for each area. In particular, fee payments to FCCCs increased by the largest absolute amount over the period, with the £11m growth representing an increase of £0.6m per FCCC on average. The largest relative growth was in grassroots spend which more than doubled from £5m in 2000 to £13m in 2008 (160% growth). Expenditure in respect of international teams almost doubled from £9m to £17m.

In addition to the £13m in grassroots spend in 2008, the ECB also donated £6.9m to the England and Wales Cricket Trust in 2008, a subsidiary charity of the ECB, which offers interest free loans to grassroots clubs in order to assist with facilities development[28].

Given the importance of broadcast revenues in the ECB's revenue mix, and its key contribution to overall revenue growth, the level of expenditure in each of these areas is directly linked to the revenues generated from broadcast rights contracts.

To emphasise this, the ECB's new UK live and highlights broadcast contracts for the period 2010 to 2013 are reportedly worth over £260m (£66m per year), a 25% uplift on current agreements. As a result the ECB will increase payments to FCCCs by 34% from 2010[29].

In February 2008 the body launched a five year strategy[30] which will see more than £30m invested in facilities and grassroots cricket. The investment committed is underpinned by the level of

[28] ECB Annual Report 2008

[29] Per ECB Annual Report 2008, fee payments to counties will rise from £105 million in the 2006-09 Memorandum of Understanding (MoU) with FCCCs to £141m in the 2010-13 MoU

[30] ECB Annual Report 2008

revenues generated, and in particular the level of revenues delivered from its broadcast partners, which are – unlike other revenues – known and committed for years in advance enabling long-term strategic planning. The key components of the strategy include:

- £14m in grant aid to 2000 community clubs;
- 50% subsidy to 10,000 level 1 & 2 coaches converting to level 3 and 4;
- £9m in grants for international standard floodlighting at all county headquarter grounds;
- £6m for installation of Lord's style drainage at all international venues with subsequent roll-out to all counties;
- a doubling of Chance to Shine funding to enhance cricket in schools amounting to a total value of £5m;
- £5m for county venues to achieve model status in each category of the ECB facility plan by 2011;
- £1m capital investment in the National Performance Centre at Loughborough to maintain world leading status;
- annual scholarships to 36 young English cricketers to benefit from playing in overseas conditions; and
- £1m to support county board operations.

3.5 The wider impacts of broadcasting on English cricket

The overall level of broadcast revenues generated by the ECB is a core part of the body's funding mix. However the ECB's broadcast arrangements are based on a number of considerations. These include the following:

Balancing Pay TV exposure and FTA reach
The nature of cricket and the duration of matches, from five day Tests to limited overs, requires a significant airtime commitment. As well as the importance of achieving revenue returns, which as indicated are a substantial proportion of the game's funding mix, the ECB has the challenge of balancing this with securing a suitable level of coverage and exposure for both the international and domestic game that allows the game to be promoted to as wide an audience as possible.

For the last three contract periods, this has been achieved through a balance of Pay TV and FTA broadcasters. This has included securing substantial coverage for both international and domestic cricket, which realistically only a Pay TV company can provide through increased scheduling flexibility in providing airtime. In parallel Five provides a level of FTA coverage. Five's coverage consists of highlights per day of international matches and limited over games in a primetime slot from 7.15pm. Sky provides the vast majority of broadcast revenues to the ECB with Five reported to be paying a 'nominal' fee for highlights.

The nature of this balance between Pay TV and FTA is determined by ECB in each round of negotiations and dependent on the level of competition for rights, the level of rights fees and exposure offered and the regulatory requirements it needs to fulfil.

Coverage of all international cricket

The current contract with Sky ensures all home Test matches and Limited Overs internationals (e.g. One-day Internationals or Twenty20 matches) are shown live and in full. This is a substantial airtime commitment. In 2008, to cover 7 Test matches and 12 limited over games required 640 hours of programming, of which 343 hours was live coverage.

Table 2: Number of broadcast hours, live broadcast hours, and number of live events for the various international matches - 2008

	Total broadcast hours	Live broadcast hours	Number of live events
England home Test Matches	490	249	7
England home ODIs	132	86	10
England home Twenty20	18	8	2
Women's International Cricket	13	12	2
Other International Cricket	18	16	2
Total	671	371	23

Source: BSkyB

Sky also acquires the UK rights to the majority of England international Tours overseas meaning that it provides a 'one stop shop' for coverage of all England international matches. The decision to acquire the rights to overseas Tours and the acquisition of home international matches from the ECB allows Sky to provide comprehensive coverage of England international matches at home and overseas.

Coverage of the domestic game

The ECB package the rights to domestic rights with those to international matches, and under current arrangements are able to leverage significant coverage for the domestic game. This leveraging means that the ECB is able to secure significant exposure for domestic competitions and the FCCCs that participate in them. This requires the commitment of a broadcaster which is able to commit substantial airtime. Packaging domestic properties separately by sports bodies is unlikely to achieve either a substantial rights fee or the levels of coverage currently committed given the relative attraction of these competitions to broadcast audiences and therefore broadcasters relative to the airtime required. However, the packaging of domestic competitions with international matches allows a wide range of events to be broadcast and comprehensive coverage of the sport as a whole. In 2008, Sky provided 383 hours of live coverage (468 hours in total) including 66 live matches of domestic competitions.

Table 3: Number of broadcast hours, live broadcast hours, and number of live events for the various domestic matches 2008

	Total broadcast hours	Live broadcast hours	Number of live events
County Championship	59	55	2
Friends Provident	95	88	13
Pro40	181	165	31
Twenty20 Cup	123	66	19
Other competitions	10	9	1
Total	468	383	66

Source: BSkyB

Production quality and innovation

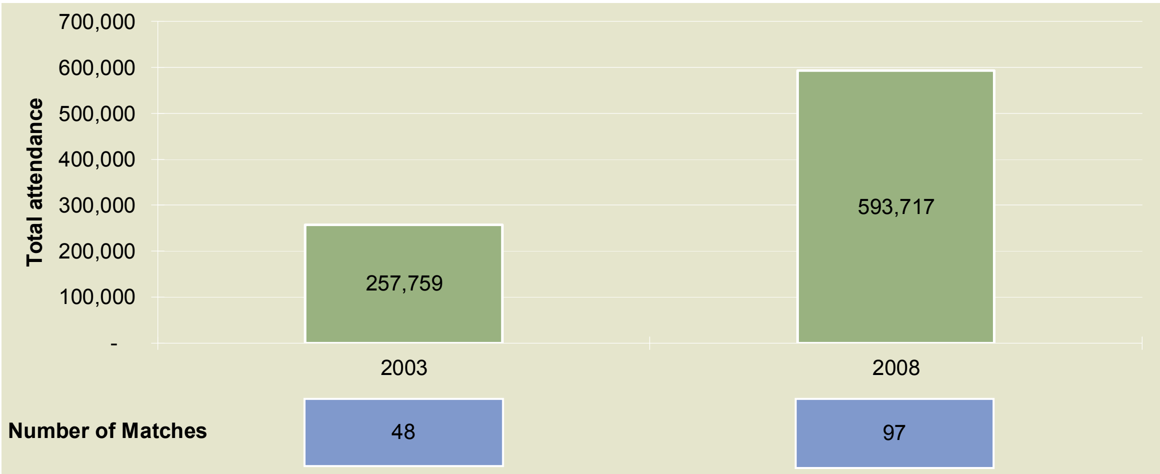
The investment by the ECB's broadcast partners in production quality and particularly broadcast innovations mean that cricket is one of the most innovative mainstream sports. Not only does this help engage and educate broadcast audiences but also creates a positive brand image for the sport as a whole. The first overseas tour broadcast fully in HD was England's tour to the West Indies in 2009, whilst the following innovations have also been introduced into the English game:

- Hawk-Eye – a ball tracking device;
- Third Umpires – use of television replays to show key moments;
- Red Zone (or Sky-Track) – a super-imposed channel on the pitch between the wickets which identifies whether a ball is on a trajectory to hit the wickets;
- Snickometer – a graphical sound and video analysis system to detect whether the bat has connected with the ball;
- Hot Spot – an infra-red imaging system to determine whether the ball has connected with the batsman, bat or pad;
- Wicketcam and stump microphones – to provide different camera angles and noises from the field of play;
- Captain/fielder microphones during play – to aid understanding of team strategies and decision making; and
- Super slow motion coverage.

Supporting competition development and new formats

As with many sports, cricket faces the continuing challenge of building participation, through live match attendances or through playing, coaching or volunteering. The development of the Twenty20 format of the game is aimed at engaging existing supporters and the game's traditional base, whilst reaching new audiences. The format was developed in England with the first domestic competition taking place in 2003, and broadcast commitment has played a key role in building the popularity of the sport not only through live coverage of matches (Sky televised 19 live matches from the competition in 2008) but also through additional airtime promotion and marketing.

Figure 16: Twenty20 Cup attendances and number of matches – 2003 and 2008



Source: ECB

Broadcaster support in addition to the rights fee

In addition to rights fees, broadcasters have provided support for the development of English cricket in a number of ways. For example, the ECB and BSkyB formed a partnership in 2007 to launch a Coach Education Scheme, with the latter providing an estimated £300,000[31] in financial support (in addition to its broadcast rights fee) for the scheme since its launch in 2006. A reported 13,000[32] coaches have benefited from the scheme.

[31] ECB press release (15.08.06)

[32] Sky website (http://www.jointhebiggerpicture.com/Sport/ECBCoaching/Coachingthecoaches.aspx)

3.6 The wider impact of broadcasting on English cricket's funding mix

The impact of the ECB's centrally negotiated broadcast contracts has knock-on financial benefits for the domestic game in a number ways, either directly on indirectly. These include:

- direct funding - the level of broadcast revenues received by the ECB directly impacts on the level of distributions to FCCCs. In 2008, fee payments to the 18 FCCCs totalled an average of c£1.8m[33] per club. This is a core component of the FCCCs business model as on average it contributes approximately 35% of FCCCs revenues; and

- indirect funding - FCCCs benefit from the broadcast coverage that it receives with this exposure facilitating the negotiation of sponsorship and commercial contracts. The broadcast support for domestic competitions, and particularly the attendance uplifts experienced since the development of Twenty20 competition, also contributes to the FCCC business model in the form of matchday revenues.

[33] ECB Annual Report 2008

4 Case Study: Ryder Cup

4.1 Summary

The key impacts of broadcasting on the Ryder Cup are outlined below.

- European based Ryder Cups and the European Tour are inextricably linked through their respective ownership, broadcast and financial arrangements and competitive structures Over the five year period to 2008, UK broadcast fees from BSkyB and the BBC are reported to average £18m per year. Total ETP revenues totalled £48m in 2007.

- The surplus from the Ryder Cup is split between the PGA European Tour, PGA of Britain and Ireland, and the PGAs of Europe. Around £2m was invested in the grassroots of the sport following the 2006 event.

- The nature of golf requires a substantial airtime commitment to be covered in full with the increased commercial and airtime flexibility of Pay TV being key in providing extensive coverage for both the European Tour and Ryder Cup.

- Media and technology developments and investment allowed the 2006 Ryder Cup coverage to be offered through a number of platforms including high definition, interactive, mobile and online.

- Broadcast coverage for European Tour events is secured through packaging with Ryder Cup and is crucial to the business model of tournaments, which rely on sponsorship for the majority of revenues. Broadcast coverage helps leverage tournament sponsorship values as well as providing other benefits to facilitate local funding or tournaments including promoting tourism.

4.2 Ryder Cup overview

The Ryder Cup is a biennial competition, now played in even years, with the host venue rotating between Europe and the USA.

European based matches are organised by Ryder Cup Europe LLP, an entity with a three way shareholding as shown below.

- PGA European Tour (60% share) – the organisers of Europe’s top professional golf tour and various other tours (such as the seniors tour and developmental Challenger Tour) which generates profits for the benefit of its members – the tournament players. The players receive dividends by way of competing and winning prize money;

- The Professional Golfers’ Association (20%) – an organisation that promotes golf in Great Britain and Ireland principally through the provision of golf professionals offering coaching at golf courses; and

- The Professional Golfers Associations of Europe (20%) – which through a charity ensures a proportion of Ryder Cup profits are distributed through grassroots schemes and developments.

All revenues for Ryder Cup matches are retained by the host organiser (e.g. ticketing, sponsorship) except for broadcast revenues for certain territories. European broadcast rights to US based matches are held by Ryder Cup Europe LLP and visa versa.

European Ryder Cup matches are self-funding with surpluses split between that the three partners in Ryder Cup Europe LLP.

4.3 The role of broadcast income in the funding mix

All PGA European Tour and Ryder Cup (European) television rights are controlled by PGA European Tour Productions (ETP), a joint venture between PGA European Tour and Trans World International, the television arm of sports marketing company IMG. ETP generates revenues from rights fees paid by broadcasters to televise the Ryder Cup and European Tour and is responsible for broadcast production at European Tour events and European based Ryder Cups.

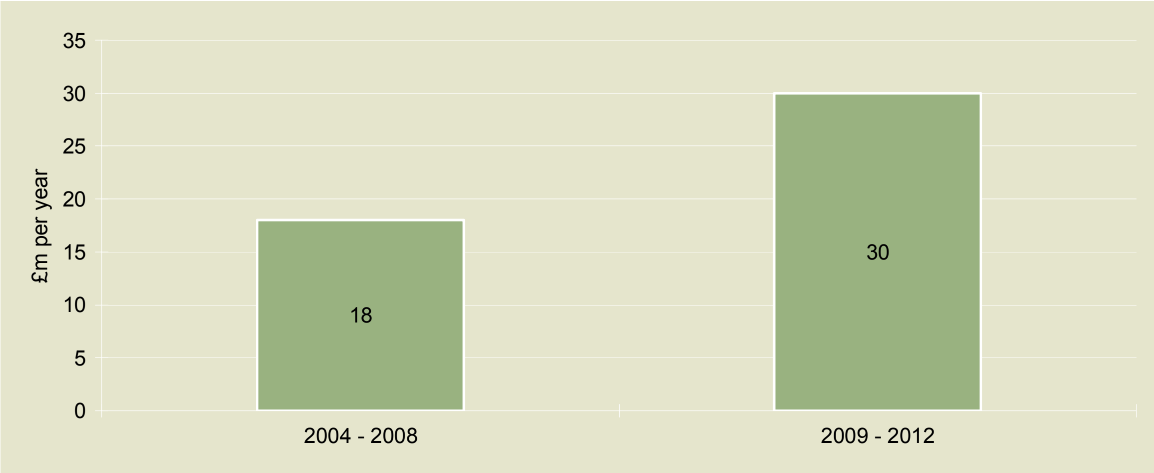
UK broadcast rights to the Ryder Cup and European Tour are currently negotiated as a package with BSkyB, in partnership with the BBC. They have acquired rights through ETP for the current four year period 2009 to 2012, covering two Ryder Cups in 2010 and 2012.

BSkyB and the BBC are reported to be paying more than £30m[34] per year on average in rights fees and production costs as part of the agreement from 2009, with the former paying the vast majority. This compares to a reported average of £18m per year for the previous five year period to 2008. The UK rights contribute the largest proportion of ETP revenues of any territory.[35]

[34] TV Sports Markets (13.07.07).

[35] ETP Annual Report 2007 states revenues totalled £48m in 2007.

Figure 17: Reported UK rights fees for Ryder Cup and PGA European Tour 2004 to 2012



Source: TV Sports Markets

ETP allocates net revenues (after production costs) between the European Tour and Ryder Cup according to an agreed formula, with allocations paid after subsidies to Tour tournaments (the level of which depends on the level of prize money offered) have been deducted. The business models of the European Tour and Ryder Cup are therefore inextricably linked.

The key sources of revenue for a Ryder Cup match are:

- ticketing – either through general admission or corporate hospitality;
- broadcast – from live rights and highlights in all territories, save for the opposing team's market;
- sponsorship – of the home team and of the match; and
- merchandising – revenues from the sale of branded products.

A detailed breakdown of the proportion of total revenues for a European based Ryder Cup from each source is unavailable due to confidentiality.

4.4 The impact of broadcast income on European golf

The key expenditure items in respect of the Ryder Cup are the operating costs associated with organising the event. In particular, the scale of corporate hospitality at the event means that whilst revenues from this source are substantial, the costs associated with providing hospitality are also high. As an indicator of scale, over 35,000 hospitality covers were provided over the 3 days of the Ryder Cup at the K Club in 2006. The total attendance (general admission and corporate hospitality) was approximately 260,000 over the three days[36].

[36] Failte Ireland press release (26.04.07)

Other key revenue streams such as sponsorship and merchandising also have cost implications. Hence the share of broadcast revenues received by the Ryder Cup from ETP is key to the competition's business model given that it is the most 'clean' revenue stream (with relatively little direct cost associated compared to other sources) and hence flows directly towards covering operating costs and providing any surplus for distribution amongst the three shareholders.

For European Tour tournaments, as well as the costs associated with organising the tournament and sanction fees paid by tournaments to the European Tour, the major expenditure item is prize money payments to players. Broadcasting impacts on this level of prize money in a number of ways.

Surpluses generated from European hosted Ryder Cups are split between the three shareholders. Part of this arrangement involves a certain level of surplus being channelled into the Ryder Cup European Development Trust, a charity that distributes funds to grassroots initiatives throughout Europe. Following the 2006 event in Ireland, approximately €2.5m[37] was channelled through this fund. The European Tour, PGA of Great Britain and Ireland, and PGAs of Europe also provide additional funds to grassroots initiatives.

The economic impact of the Ryder Cup also has a number of knock-on benefits for grassroots golf. For example, the Welsh Assembly Government created a £2m[38] fund for grassroots golf initiatives as a result of acquiring hosting rights to the 2010 event.

4.5 The wider impacts of broadcasting on golf

Coverage

The airtime commitment required for covering a golf tournament in full is substantial given the duration of play relative to other sports. UK coverage for the European Tour and Ryder Cup is shared between BSkyB and BBC with the former committed to showing live coverage of 32 events per year.

The level of coverage across a number of Tour events is important in driving the business model of tournaments themselves (as discussed in Section 4.6) but also in creating solidarity for the Tour as a whole, with coverage of less attractive tournaments leveraged with those which are more attractive.

[37] PGAs of Europe website (http://www.pgae.com/ryder_cup.php?tab=7)

[38] European Tour website.

Table 18: UK coverage of the European Tour and Ryder Cup 2009 to 2012

Broadcaster	Rights
BSkyB	- Exclusive live coverage of the Ryder Cup Live coverage of - a minimum of 32 European Tour tournaments each year; - live coverage of three World Golf Championship events; - the Solheim Cup; - Champions Tour; - LPGA Tour; and - Amateur Tours
BBC	- Coverage shared with BSkyB of four European Tour events – Barclays Scottish Open, the BMW PGA Championship, Quinn Direct British Masters, and HSBC World Matchplay.

Source: PGA European Tour press release (11.07.07), TV Sports Markets, Deloitte analysis

The BBC show highlights on the first two days of play for each of the four European Tour events, with BSkyB showing live coverage. The BBC shows live coverage for the last two days of play for each tournament, and BSkyB then reverts to highlights. The BBC shows extended highlights of the Ryder Cup on each day of play.

BSkyB has shown a substantial airtime commitment to the European Tour tournaments, in part due to greater commercial and scheduling flexibility than a FTA broadcaster, with golf coverage being its third largest sport in terms of broadcast hours committed. As an indicator, it committed over 1,000 hours of coverage to the European Tour in 2008, of which 720 hours was live coverage, covering 35 live events. BSkyB's overall broadcast hours of golf in 2008, including other tournaments outside of the European Tour, totalled 2,845 hours[39].

Quality of production and innovation

The nature of golf tournaments means that production costs are comparatively high relative to other sporting events, due to a number of factors including:

- The scope of equipment and infrastructure required to deliver production facilities at a golf course;
- The costs of producing programming tailored to a variety of media outlets. For example in 2007 ETP produced:
    - Live coverage at 44 of the 48 European Tour events;
    - 48 minute highlights programmes from each European Tour tournament;
    - Fifty editions of the magazine programme "European Tour Weekly" and 12 editions of "The Challenge";
    - A magazine programme covering the European Challenge Tour; and

[39] Data provided by Sky

    - Additionally, ETP produces daily news clips, golf documentaries, closed circuit television at up to 35 events, as well as promotional material and commercials for the golf industry and Tour sponsors.

- ETP also produced live coverage of the Senior British Open and two other European Series Tours events, plus highlights shows from 15 Seniors Tour events, and a couple of special events.

Therefore a key element of the broadcast strategy for ETP has to take into account the need to generate sufficient level of rights fees to cover the resources required for these production costs, before distributions to the wider game are considered.

In 2006, ETP embarked on its first HD production, producing live coverage of the Ryder Cup in Ireland in partnership with BSkyB, the host broadcaster. ETP now delivers HD coverage for all regular European Tour events in Europe.

As part of its coverage of the 2006 Ryder Cup in Ireland, BSkyB delivered coverage through standard definition, high definition, and interactive television, as well as through broadband and mobile.

Cross promotion
As one of the premium tournaments in golf, the Ryder Cup is a 'shop window' for the sport as a whole. However, beyond the ownership structure and financial implications, there is substantial linkage between the tournament and the European Tour.

Player performance at European Tour tournaments is linked to selection for the European team that competes in the Ryder Cup (by accumulating ranking points at tournament events). By showing coverage of both the Ryder Cup and European Tour, a broadcaster is able to build a stronger narrative between the two that cross promotes and builds the profile of both the European Tour, and its tournaments, and the Ryder Cup itself.

The Ryder Cup is the biggest audience driver and hence the extensive coverage commitments, and revenues in the form of rights fees, provided by BSkyB to European Tour tournaments are predicated on it being able to acquire Ryder Cup rights.

4.6 The wider impact of broadcasting on golf funding mix

Whilst European Tour tournaments benefit directly from subsidies from the broadcast revenues generated by ETP, there are also a number of other broadcasting impacts on a tournament's business model, including the following.

Sponsorship revenues
Sponsorship revenues are the largest single source of revenues for the majority of European Tour tournaments. For the majority of tournaments, sponsorship typically contributes 75%[40] or more of total revenues. However a tournament is reliant on broadcast coverage, and the exposure this

[40] Deloitte estimate based on consultation with PGA European Tour

offers, in order to leverage sponsorship values. The ability to offer exposure in a number of broadcast markets is also a key driver of revenues. Hence the two are strongly linked to a tournament's business model, and hence the Tour as a whole. As a major commercial market, being able to gain exposure within the UK market is an important driver within many sponsors' marketing mix and spending decision.

Whilst certain tournaments are more attractive to audiences than others, the commitment of broadcasters, particularly in major European population markets such as the UK, to provide extensive coverage of a number of tournaments is key to building a critical mass of financially sustainable tournaments to comprise the Tour.

Tourism

Golf tournaments are used by certain countries, regions, or towns as a tool to promote the location as a tourist attraction. Certain tournaments receive support, either in terms of revenues or resources, from local tourist boards, agencies or other parties in order to promote tourism. Broadcast coverage, particularly in major markets such as the UK, is a key tool through which to promote tourism for a particular location.

As an indication of the impact a golf tournament can have on the host economy, the 2006 Ryder Cup at the K Club in Ireland attracted 260,000 attendees, an additional 90,000 overseas visitors to Ireland in September compared to the same month in the previous year, with a direct impact on the Irish economy of €143m (£100m).[41]

Given the importance of broadcasting to a tournament's revenue mix, either directly or through other revenue streams, it plays a key role in determining the level of tournament's major expense, prize money.

[41] Failte Ireland press release (26.04.07)

5 Case Study: Rugby Football Union

5.1 Summary

The key impacts of broadcasting on the RFU are outlined below.

- The RFU's broadcast revenues account for c20% of total revenues and are derived from a share of centrally negotiated Six Nations contracts and the sale of rights to wholly-owned RFU properties, including England internationals outside the Six Nations.

- Whilst the RFU generates substantial matchday and non-matchday revenues from owning Twickenham, there is significant cost associated with these revenue streams. Broadcast revenues generate only limited costs and are crucial in determining community game expenditure, distributions to clubs and constituent bodies.

- Over half of the RFU's revenue growth (£44m) between 2000/01 to 2007/08 has flowed directly to community rugby expenditure (which increased by £10m) and allocations to clubs and constituent bodies (which increased by £13m).

- The Six Nations has consistently been shown on FTA with the audience reach providing benefits for the RFU's commercial programme.

- Broadcast coverage for domestic competitions and other international teams such as womens and age-grade has been secured by packaging with the RFU's most valuable wholly owned property, England home matches outside of the Six Nations, to promote the sport as a whole.

5.2 RFU overview

The Rugby Football Union (RFU) is the governing body for Rugby Union in England. Similarly to the ECB, its remit covers:

- the development and governance of the game;

- the organisation and administration of competitions at both a professional and amateur level; and

- the delivery of, and infrastructure around, the mens, womens, and age-grade national teams.

5.3 The role of broadcast income in the funding mix

The RFU's main sources of revenue are derived from the England national team and various domestic competitions, as well as non-matchday revenues generated from Twickenham, which it wholly owns. Revenue sources can be summarised as:

- matchday revenues – from ticketing and corporate hospitality to matches hosted at Twickenham, with the majority from England home internationals;

- broadcast revenues – from the direct sale of media rights (including live, highlights, radio and new media) to England home international matches and certain other RFU properties, and a share of media rights generated from the Six Nations;

- sponsorship revenues – from partners to the national teams and domestic competitions;

- travel and leisure – from the sale of travel packages to England tours and other matches;

- merchandising and licensing revenues – from the sale of merchandise including replica England team kit; and

- other revenue streams – including non-matchday revenues from hosting events and conferences at Twickenham.

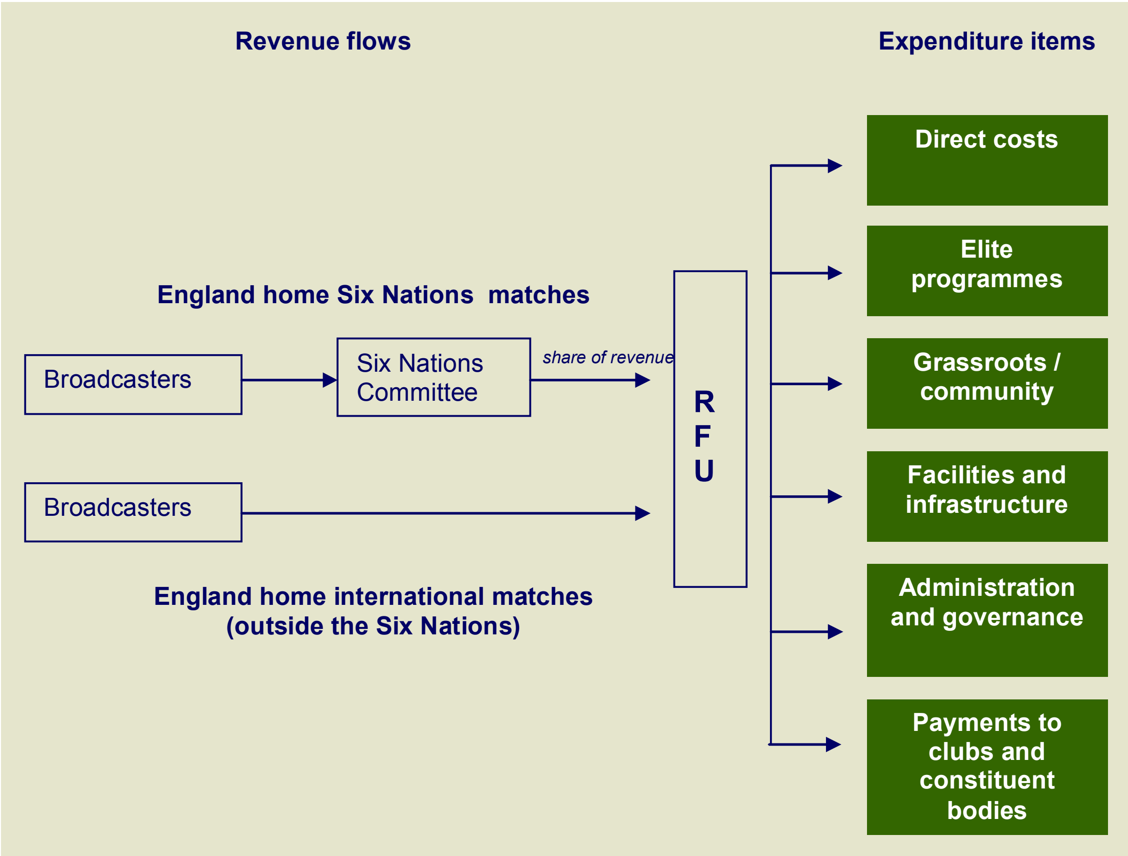
The RFU's broadcast revenues are generated from two key sources:

- the direct sale of rights for England home senior international matches (outside the Six Nations) and other RFU properties including other national team home matches (e.g. womens, age-grade), domestic competitions such as the Anglo-Welsh knockout cup and the second-tier domestic league (the Championship), the County Championship, and other ad-hoc matches such as the Army v Navy, and Varsity match. UK rights are sold directly to broadcasters and contribute the majority of revenues, with overseas rights sold via an agency; and

- a share of the centrally negotiated broadcast revenues generated by the Six Nations Committee, the organisation representing the Six Nations Unions which organises the Championship and centrally negotiates broadcast and certain commercial contracts.

An outline of how broadcast revenues flow to the RFU and where these funds are spent is shown below.

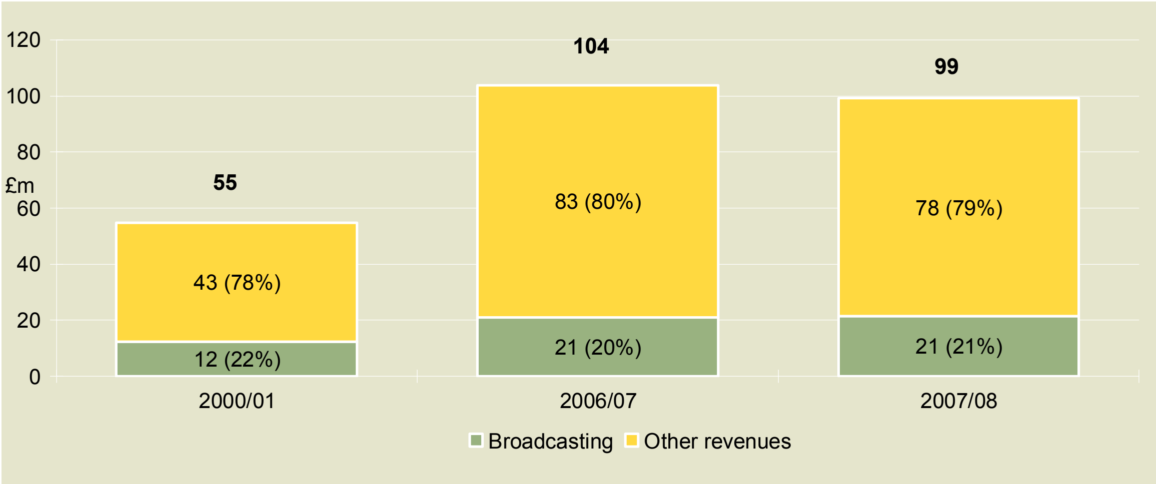
Figure 19: Revenue flow from UK broadcasters to the RFU



Source: Deloitte

The figure below outlines the level of broadcast revenues generated as a proportion of total revenues for 2000/01, 2006/07 and 2007/08. The decrease in revenues in 2007/08 compared to the previous year is due to the lower number of home international matches in that year, as a result of England participating in the Rugby World Cup.

Figure 20: RFU broadcast revenues as a proportion of total revenues 2000/01, 2006/07 and 2007/08



Source: RFU

The figure indicates that broadcast revenues consistently represent between 20% and 22% of total revenues.

Broadcast revenues are an important component of the RFU's revenue model, the second largest revenue source in 2007/08. The revenue benefit derived by the RFU from owning Twickenham[42] while more substantial (37% of total revenues in 2007/08), carries greater associated direct cost than the broadcasting component which has a high margin.

From 2009/10 onwards, the RFU will generate increased broadcast revenues due to the two factors outlined below.

- Current five-year broadcast contracts for England home international matches outside the Six Nations and other RFU properties run until the end of 2009/10. The RFU has negotiated a new contract with BSkyB for the five year period from 2010/11 which is reported to deliver an average of £16m[43] per year, an increase of over £5m (50%) on current contracts.

- The Six Nations will enter a new four-year broadcast contract period from 2010, with the total value of UK rights reported to amount to total approximately £40m[44] per year, an uplift of £11m (28%) compared to previous deals, emphasising the tournament's position as a premium property which continues to be attractive to broadcasters. As a result, the RFU can expect to receive an increased share of centrally negotiated broadcast revenues from 2010. The BBC has broadcast the Six Nations for many years. BSkyB held rights to England home matches in the tournament as part of a wider five year agreement with the

[42] As owner of Twickenham the RFU derives revenues through ticketing, hospitality and catering as well as certain other revenue streams.

[43] TV Sports Markets (07.11.08)

[44] TV Sports Markets (12.10.07)

RFU until 2001. This inflated the overall UK rights for the competition (with BSkyB's payments received directly by the RFU). Since 2002 all matches have been sold centrally.

The figure below shows that the value of UK rights to the Six Nations has almost doubled since 2003.

Figure 21: UK rights fees to the Six Nations 2003 to 2013

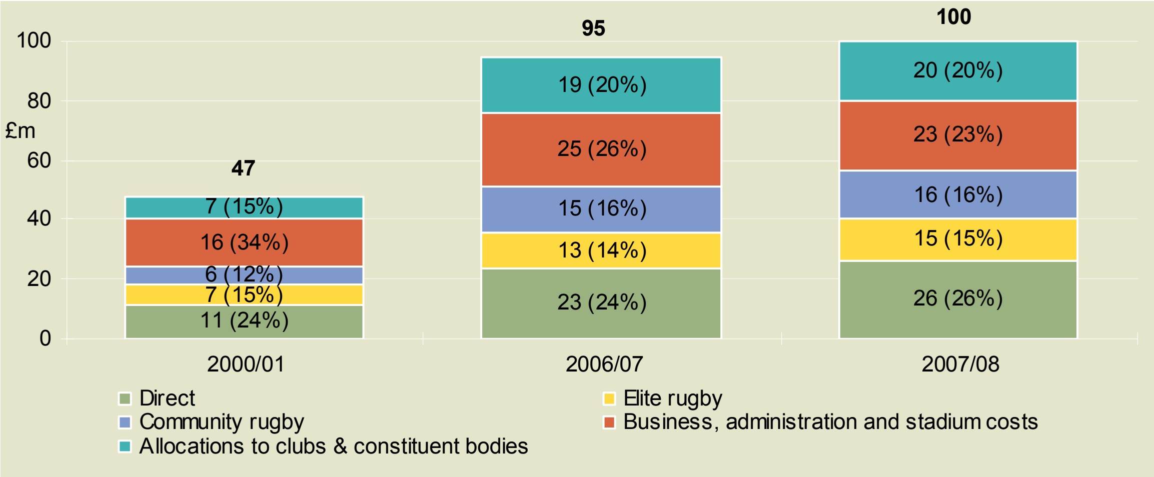
Note: UK rights for all contract periods held by the BBC for all competition matches. For the five year period to 2001, BSkyB held UK rights to England home matches in the Six Nations as part of a wider contract with the RFU covering English internationals outside of the Six Nations and domestic rugby. The Six Nations component of Sky's deal was reported to be worth £7.5m p.a. The BBC held UK rights to all other matches in the competition. The fee paid by the BBC for these rights is not available. The BBC acquired all UK rights for the 2002 competition with a three-year contract negotiated for 2003 to 2005.

Source: TV Sports Markets, Six Nations press releases

5.4 The impact of broadcast income on English rugby

The figure below indicates how revenues generated by the RFU are spent in 2000/01, 2006/07 and 2007/08.

Figure 22: RFU expenditure 2000/01, 2006/07 and 2007/08



Source: RFU

Key components of the RFU's direct costs represent costs in respect of ticketing services, sponsorship servicing, the delivering of hospitality and catering and also merchandising and licensing costs. These components represented almost £20m of the total direct costs of £26m incurred in 2007/08[45], with the remainder predominantly travel costs. The fact that these costs are offset against the revenues received in each of these areas, emphasises the fact that broadcast revenues are largely 'clean' revenues for the RFU with broadcasters paying a rights fee and minimal costs being incurred by the RFU.

England is the largest rugby playing nation in the world, with 627,000 players, of which approximately half are mini-rugby or junior players, and almost 1,900 clubs.[46] Hence, the RFU's grassroots responsibilities are extensive and it makes a substantial commitment to the grassroots game through the delivery of programmes and also direct payments to clubs and constituent bodies. Costs in respect of grassroots initiatives have shown the greatest relative growth over the period shown above from £6m to £16m. Of the £20m paid to clubs and constituent bodies in 2007/08, almost £15m was to organisations below the Premiership. Therefore over £30m (30%) was spent on the grassroots game in 2007/08 in either programmes and initiatives or direct payments.[47]

The level of payments to clubs is to a significant degree determined by the level of revenues received and costs required to be paid across the other expenditure items – it could be considered a 'balancing figure' in total expenditure. Given that broadcast revenues generate little cost, the growth in broadcast revenues is strongly linked to the level of payments available to grassroots clubs.

An example of the RFU's grassroots initiatives include the 'Go Play Rugby' campaign which was launched to co-incide with the Rugby World Cup 2007 and was aimed at recruiting or re-engaging

[45] RFU Annual Report 2007/08

[46] RFU Strategic Plan 2005/06 to 2012/13

[47] RFU Annual Report 2007/08

6,000 adult participants in the sport by March of the following year. The RFU committed around £0.5m in resource and materials and reported recruiting 9,472 adult players equating to 617 new teams to club-run events.[48]

5.5 The wider impacts of broadcasting on English rugby

We have outlined the contribution of broadcast revenues to the RFU's overall revenues and how these funds are spent. Broadcast arrangements in respect of the Six Nations, England home matches outside of the Six Nations and other RFU properties, impact on the English game in a number of other areas including those outlined below.

Substantial FTA reach of the Six Nations

The matches involving the Home Unions of England, Scotland and Wales in the Six Nations are currently 'B' listed within the UK's listed events legislation, requiring highlights coverage to be made available through FTA. However the Six Nations Committee is free to negotiate with broadcasters across any platform for its live coverage within the UK.

The partnership with the BBC has yielded consistent increases in revenues, with further increases when the new contract period begins in 2010. The FTA exposure generated from the Six Nations Committee's choice of strategy has not only delivered increased distributions from centrally negotiated broadcast contracts, but also has additional benefits for other revenue streams and the sport more widely.

FTA and Pay TV exposure for the England national team

The Six Nations Committees strategy of FTA coverage for the tournament combined with the RFU's partnership with BSkyB for England home matches outside of the Six Nations means that the RFU benefits from an overall package each year of substantial revenues, full live coverage of all England home matches, and exposure.

[48] RFU Interim Report 2007/08

Table 4: Broadcast hours, live broadcast hours, and number of live matches for England international matches on Sky Sports - 2008

	Total broadcast hours	Live broadcast hours	Number of live matches
England men's home Test matches (outside the Six Nations)	38	12	4
England men's home international matches (e.g. Saxons)	24	8	4
England age-grade home international matches	10	5	2
Total	72	25	10

Source: BSkyB

Leveraging exposure for other RFU properties
As part of its agreement with BSkyB, the RFU packages the rights to its most valuable solely owned property, England home matches outside the Six Nations, with other properties such as the other England national team matches (e.g. Saxons, womens or age-grade teams), the County Championship, Varsity match and other properties. These properties are not audience or subscription drivers in themselves. The RFU is able to benefit from showcasing other sectors of the English game through the airtime that a Pay TV broadcaster is able to, and willing to, commit in exchange for acquiring the rights to the more attractive England matches as part of this package. BSkyB broadcast 66 hours of coverage of non-Test rugby in relation to its contract with the RFU in 2008, including 25 hours of live coverage of 10 events.

5.6 The wider impact of broadcasting on the rugby funding mix

A key benefit of the Six Nations FTA broadcast strategy and the extensive coverage of England national team matches outside of the Six Nations, including matches of the England representative teams below test level (e.g. age grade), is the impact on sponsorship revenues, which are an important revenue stream.

In particular, the RFU is able to offer the shirt front sponsor of its national teams (currently O_2) a guarantee of substantial exposure to a large audience through the FTA coverage of England matches in the Six Nations and live coverage of all other England home test matches and certain other non-Test matches. Whilst it is not possible to isolate and quantify the direct impact of broadcast coverage on sponsorship values, the significant exposure that the RFU is able to offer is a key driver of sponsorship values for the body, which totalled £12.8m in 2007/08[49].

[49] RFU Annual Report 2007/08

6 Case Study: Super League

6.1 Summary

The key impacts of broadcasting on the Super League are outlined below.

- BSkyB's support of, and commitment to, rugby league was crucial in re-formatting the top domestic competition, Super League, and repositioning the sport as a summer game.

- Broadcast revenues are an important part of clubs' revenue mix accounting for around 20% of total revenues.

- Super League receives substantial broadcast coverage with over 70 live matches per season in high definition providing a key shop window for the game and supporting growth.

- FTA coverage is achieved for the sport through the BBC's coverage of the Challenge Cup.

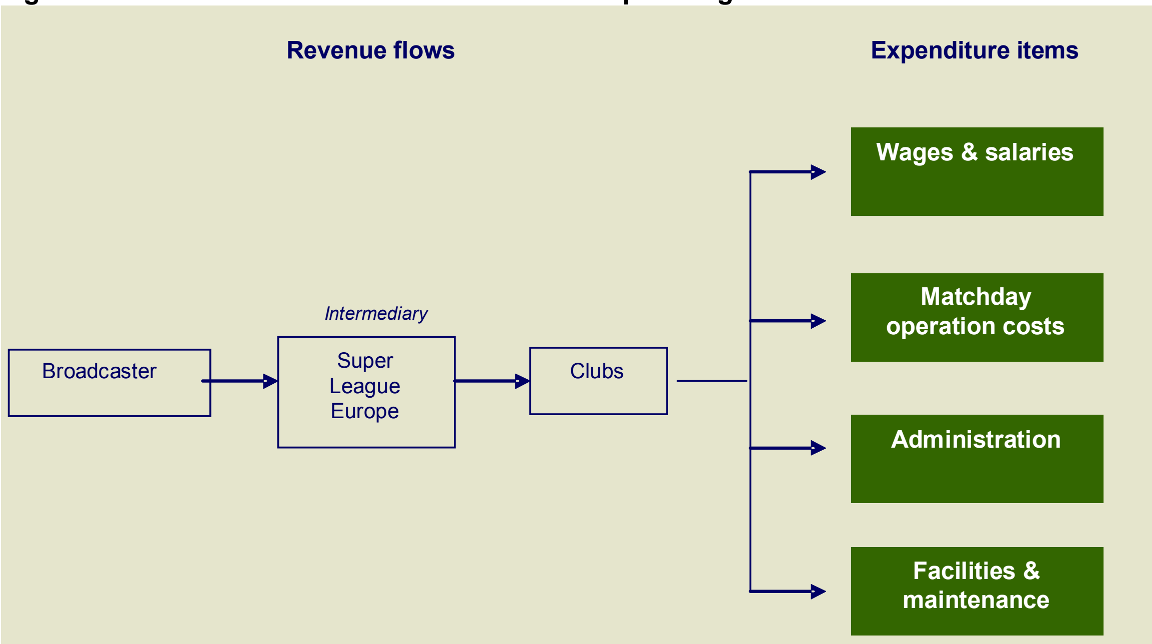
- The continuing growth of the sport is evidenced through increasing attendances (an average of 10,300 in 2008 compared to 6,500 in 1996) and increasing participation levels which has led Rugby League and the RFL's Whole Sport Plan to receive one of the highest funding awards from Sport England (£29.4m over the four year period 2009 to 2013).

6.2 Super League overview

Super League, UK's top club rugby league competition, was formed in 1996. The 2009 season is the 14th full season of the competition, and will involve 14 participating clubs (compared to 12 in each season since 2000) following the introduction of a club licensing system which guarantees these clubs participation in the competition for the three seasons from 2009 to 2011.

Although Super League Europe Limited is the body that represents the 14 participating clubs, and acts as an agent for the clubs distributing collectively negotiated broadcast, sponsorship and other commercial revenues, it is integrated within the structures of the Rugby Football League (RFL), the sport's UK governing body. The RFL negotiates broadcast rights to the Super League with certain other properties, such as the Challenge Cup and home international matches.

Figure 23: Revenue flow from broadcasters to Super League clubs



Source: Deloitte

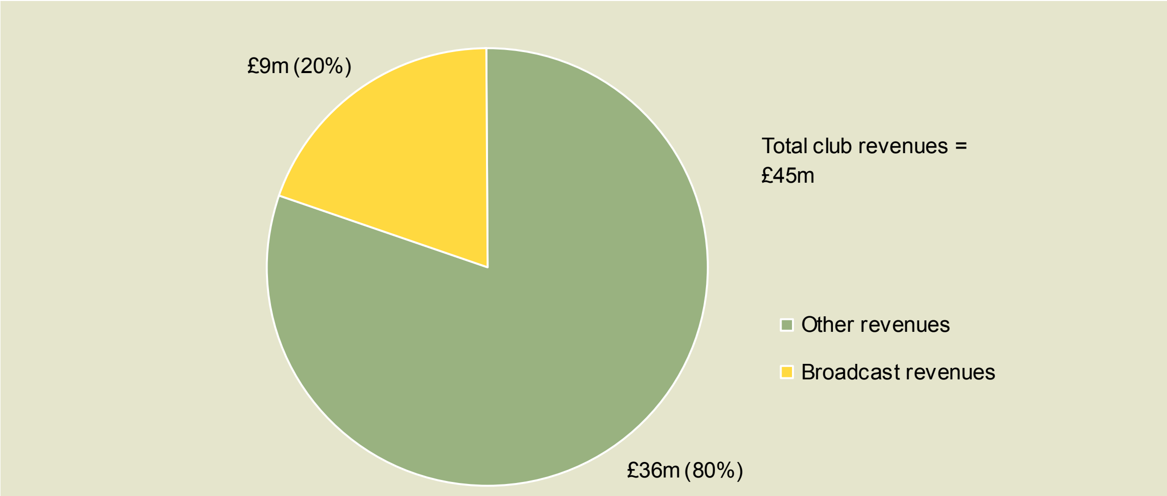
6.3 The role of broadcast income in the funding mix

Broadcast and certain other commercial rights, such as title sponsorship of Super League, are negotiated collectively on behalf of clubs. Broadcast revenues form part of the revenue mix for each club that principally includes the following:

- Matchday revenues - including general admission ticketing and corporate hospitality revenues from hosting competition matches.
- Broadcast revenues - as mentioned, participating clubs receive a share of centrally negotiated broadcast rights deals.
- Sponsorship revenues - comprising a share of any centrally negotiated commercial contracts, such as the league's title sponsorship, and revenues generated from clubs' individually negotiated sponsorship contracts.
- Commercial revenues - comprising other commercial revenues such as merchandising and licensing and any non-matchday revenues.

Broadcast revenues are a key source of funding for Super League clubs, and have been since the competition's inception. The following figure outlines the proportion of total club revenues contributed by broadcast income in 2007.

Figure 24: Super League club broadcast revenues as a percentage of total club revenues 2007

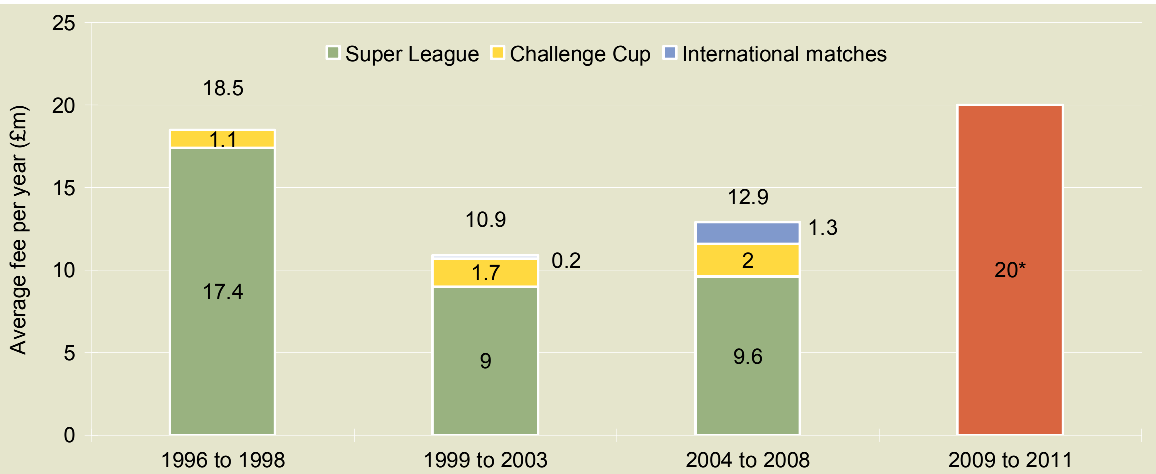


Note: Revenues are the combined total for all 12 competing clubs in 2007. Revenues for certain clubs estimated. Broadcast revenues are TV monies paid by Super League (Europe) to member clubs.

Source: Club Accounts, Super League (Europe) Limited Accounts, Deloitte analysis and estimates

The percentage contribution of broadcast revenues to total Super League club revenues is set to increase significantly from 2009 as part of new broadcast contracts, reflecting both the continuing growth of the competition and the commitment of BSkyB in facilitating this growth since the competition's inception in 1996.

Figure 25: Rights fees for Super League, Challenge Cup and home international matches 1996 to 2011



*Note: Super League fees paid by BSkyB in each contract period, and international rights. Challenge Cup fees paid by BBC. £17.4m paid by News Limited in 1996 to 1998 was £11.5m for Super League and £5.9m for two divisions below Super League. Initial five year deal subsequently renegotiated for 1999 season. *value shown for 2009 and 2011 is reported value of all rights to Super League, Challenge Cup, and international matches. BSkyB and the BBC are reported to be paying in excess of £20m per year. As with the previous contract period, BSkyB is reported to be paying the majority of the rights fee.*

Source: TV Sports Markets (various editions)

The total value of broadcast contracts to Super League, Challenge Cup and international matches for the period 2009 to 2011 is at least a £7.1m (55%) per season uplift on previous deals. Given rights fees in respect of Super League for the period 2004 to 2008 flowed in full to clubs, should rights fees to competitions be split in the same ratio for 2009 to 2011, clubs could receive additional funding of c£5m per season with the contribution of broadcast revenues to clubs increasing from c20% to c30%.

6.4 The impact of broadcast income on rugby league

The formation of Super League was facilitated through the commitment and investment provided by the league's broadcast partner, BSkyB. Prior to 1996, club rugby league in the UK was experiencing financial difficulties. Combined losses for professional clubs were reported to be £8.8m[50] for the period 1991 to 1993 and 17 of 31 professional clubs examined were technically insolvent.

Within this period, club revenue growth was outstripped by wage inflation. The sport faced potentially further challenges as rugby union become a fully recognised professional sport in 1995. Whilst the majority of rugby league players had been developed through the amateur ranks, the code's profile had benefited from the acquisition of high profile rugby union players.

The broadcast revenues generated by the league are passed to the clubs and clubs spend on operating a professional club, in broadly the categories outlined below.

- wages and salaries - including player wages;
- matchday operations - costs incurred in respect of hosting matches;
- administrative costs - including administrative and infrastructure costs, including marketing and advertising spend;
- community development - costs in respect of local community programmes; and
- other costs.

A Super League club's biggest cost item is in respect of players and coaching staff. Super League currently operates a salary cap with the combined wage costs of a Super League club's 25 man first team playing squad limited to a maximum of £1.6m[51] per season. For the twelve clubs combined, this accounts for a maximum of c40% of total club revenues, based on 2007 revenue figures, although certain clubs may not reach the £1.6m limit.

[50] Source: Appendices to Minutes of Evidence, Select Committee on Culture, Media and Sport, session 1999-2000

[51] RFL website

6.5 The wider impacts of broadcasting on rugby league

Upfront investment

The commitment of BSkyB to support the development of the Super League from 1996 provided the RFL and clubs with the certainty and confidence to reformat the professional club game and had a number of financial and non-financial benefits. These included:

- financial security - BSkyB committed to an initial five year contract from 1996, which provided the RFL and competing clubs with the certainty of guaranteed revenues with which to develop a new competition structure. The reported value of the contract was substantially in excess of previous broadcast revenue levels, with an estimated £17.4m per year fee paid by BSkyB for the rights to Super League and the two divisions below the top-tier; and
- repositioning – the RFL positioned Super League as a summer rugby competition running from February through to October and reducing the overlap and competition with sports such as football and rugby union.

Coverage

BSkyB has provided substantial live coverage of competition matches since the competitions inception. For the new contract period, 2009 to 2011, BSkyB will provide live coverage of up to 70 regular season and play-off matches (including the Grand Final). The broadcaster also provides weekly highlights and magazine programming.

In addition to live coverage of the Super League, BSkyB will also provide increased coverage of the Championship, the UK's second-tier domestic club competition, with 29 live matches per season.

Given the level of audiences that club rugby league can attract, particularly outside the matches between the top few clubs, only a Pay TV operator which has more scheduling flexibility can offer this depth of coverage.

Pay TV and FTA Exposure

In addition to the live Pay TV coverage of Super League, the RFL has negotiated a FTA contract with the BBC for the Challenge Cup, the top domestic knock-out cup competition. The final of the Challenge Cup is a 'Category A' listed event.

Although the rights fee paid by the BBC is a fraction of that paid by Pay TV, the sport benefits from the substantial reach provided by a FTA broadcaster. Since 1996, the BBC has provided live coverage of the Challenge Cup. Since 1999 it has offered highlights programming of the Super League and international matches also.

The decision to secure FTA coverage for certain club rugby league, in part driven by listed events legislation for the Challenge Cup Final, means that the RFL, and as a result Super League clubs may compromise on maximising rights fees.

Broadcast quality and innovation

Various broadcasting developments have been introduced to Super League since the competitions inception in 1996, including:

- video referee - video assistance has been available to match officials since the 1996 season to aid the match officials in a number of areas including whether a try has been scored, and other areas including knock-ons, offside, obstructions, hold-ups and whether or not a player has gone over the dead ball line. Such assistance is currently only available for live televised matches, on either BSkyB or BBC; and
- High Definition - All Super League matches shown live on BSkyB have been available in high definition since the start of the 2007 season.

Licensing

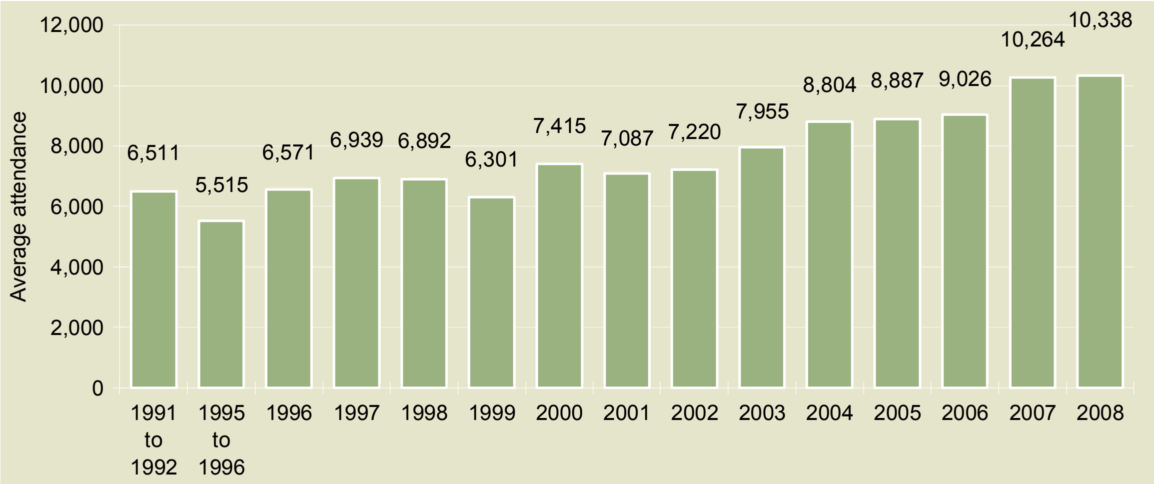
The RFL licensing programme, aimed at allowing the sport and clubs to plan for the medium to longer-term by awarding clubs a three year licence to compete in Super League from 2009 to 2011, has been supported by the guarantee of increased broadcast right fee payments from 2009. This provides a platform for clubs to invest in a number of areas including youth and facilities development.

6.6 The wider impact of broadcasting on rugby league funding mix

Since the development of Super League, match attendances have increased significantly and helped reverse a decline in attendances at top-tier club rugby league. As an example, average attendances for the top-tier club competition declined from just over 6,500 in 1991/92 to 5,500 in 1995/96, the last season before Super League and the move to a summer season.

The figure below indicates average attendances have increased from 6,500 in 1996 to a record level of 10,338 per regular season match in 2008.

Figure 26: Top-tier rugby league average attendances 1991/92 to 2008



Note: Average attendances are for regular season matches only (doesn't include play-offs or Grand Final).

Source: Super League

These attendance increases provide the opportunity for increased matchday revenues. In addition the growth of the competition has provided the catalyst for stadium development at a number Super League clubs, with the licensing system providing the platform for further development.

The development of Super League has been a key contributor to the growth of rugby league in the UK. The RFL, as the governing body for the sport, is responsible for the grassroots game and has reported a 27% increase in participation amongst players, coaches, match officials and volunteers to an estimated 250,000[52]. The RFL receives funding from Sport England, in order to meet its objectives for increasing sports participation, retaining existing participants and investing in talent. Government funding contributed £4.2m (31%) of the RFL's total revenues of £13.4m in 2007.[53] For the four year period 2009 to 2013, the RFL's Whole Sport Plan receives one of the highest funding awards from Sport England (£29.4m).

52 RFL website (http://www.therfl.co.uk/about/page.php?areaid=265)

53 RFL Annual Accounts 2007

7 Case Study: Irish/Scottish/Welsh Football Associations

7.1 Summary

The key impacts of broadcasting on the IFA, SFA and FAW are outlined below.

- Home senior international qualification and friendly matches are the principal source by which each FA generates revenues to fund the sport in its respective country. There are a limited number of matches from which to maximise revenues (on average five per year).

- Broadcast revenues are a key revenue stream for each FA accounting for up to 40% of total revenues.

- The limited costs associated with broadcast revenues, compared to other sources, mean that revenue from this stream directly impacts on the level of payments to clubs and expenditure on centralised development programmes.

- Each FA currently has a combination of Pay TV (UK wide live coverage) and FTA (highlights) for its home senior international matches.

- Broadcast coverage for other international matches, such as under-21s and certain domestic competitions, has been secured through packaging with senior national team rights. This coverage and exposure helps promote the sport and has potential commercial revenue benefits.

7.2 IFA, SFA and FAW overview

The IFA, SFA and FAW are the respective governing bodies for football in the three countries within the UK outside England, each with a remit covering the co-ordination, preparation and delivery of various national teams, as well as a responsibility for the grassroots development of the game. The majority of revenues generated by these bodies are therefore reinvested into the elite and grassroots tiers of the sport.

Each FA has responsibility for the country’s national teams at all levels including senior men’s and women’s down to age-grade, as well as certain domestic club competitions.

In Scotland, the four professional club divisions are organised separately through the Scottish Premier League (SPL) and Scottish Football League (SFL). In Wales, the three professional clubs compete in the English domestic leagues whilst the semi-professional domestic league, the Welsh Premier League, is organised by a subsidiary of the FAW which pays a subsidy to the League. The semi-professional Irish Premiership is organised by the IFA. All three FA’s organise domestic knockout club competitions.

7.3 The role of broadcast income in the funding mix

The key property which generates the majority of revenues for each FA is the matchday, broadcast and commercial revenues (e.g. sponsorship and merchandising) for home matches of the senior men's national team. These matches are either generally qualification matches for the FIFA World Cup or UEFA's European Championship or friendly matches.

The number of home matches varies by season but for the 2008/09 season the Northern Irish national team played five home matches, Scotland played four matches and Wales played six matches. Hence there are a relatively limited number of the most valuable games from which to generate revenues to fund the sport in each country.

Whilst the FAs' may generate some centralised commercial revenues in relation to the domestic competitions, these revenues are relatively small compared to those generated from the national team. The exception to this is the SFA, which generates a higher proportion of commercial revenues from its top domestic cup competition, the Scottish FA Cup, driven by participation of professional clubs including the country's two largest - Celtic and Rangers. As an example, the SFA reported that the Scottish FA Cup generated 24%[54] of total revenues in 2008.

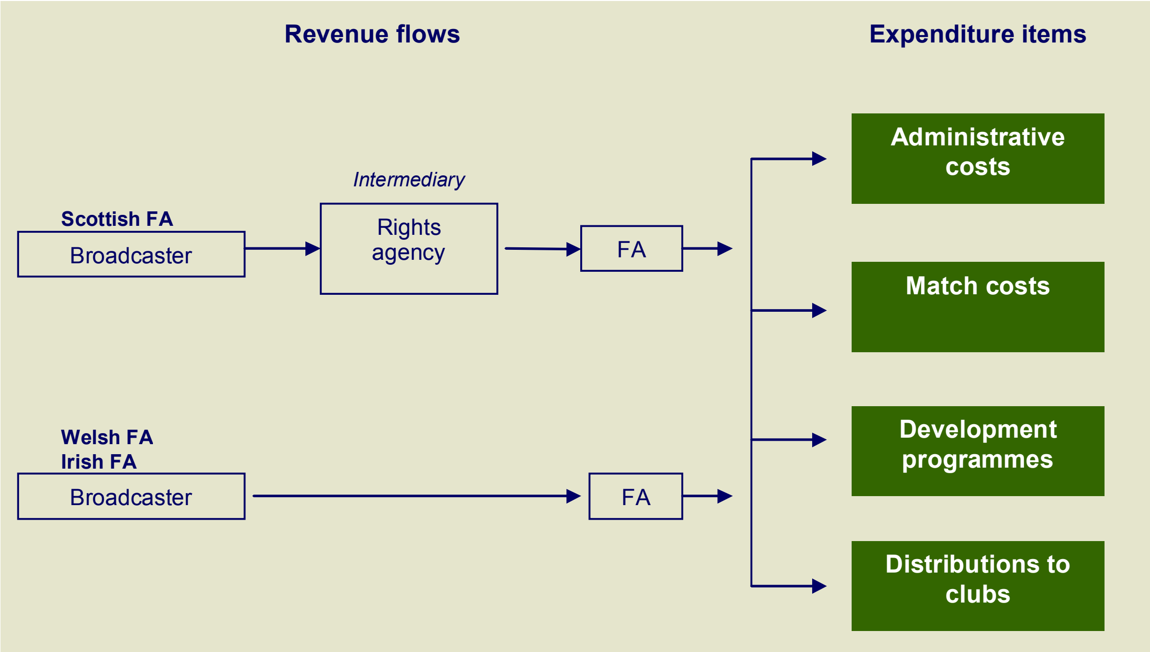
The domestic UK rights to national team home matches are the largest source of broadcast revenues, although additional revenues are derived by selling the rights to home matches in territories outside the UK, including the territory of the opposing team (2nd party) and other international territories (3rd party).

The SFA currently outsources the sale of broadcast rights in all territories including the UK (1st, 2nd, and 3rd party rights) to all national team home matches to a rights agency, IMG, in return for a fee payment. The Irish and Welsh FA's currently negotiate the UK rights to national team home matches directly with broadcasters, with the rights in other territories (2nd and 3rd party) sold on behalf of each FA by a rights agency in return for a fee payment. The level of 2nd and 3rd party revenues received by both FA's are being dependent on the nature of the opposition and its agency arrangement.

The flow of funds for how domestic rights flow from a broadcaster to each FA is shown below.

[54] Scottish FA Annual Review 2009

Figure 27: Revenue flow from UK broadcasters to the IFA, SFA and FAW and key expenditure items



Source: Deloitte

The table below outlines estimated broadcast revenues as percentage of total revenues. Broadcast revenues include those in respect of domestic broadcast rights and overseas broadcast rights (2nd and 3rd party) for home international matches and other domestic properties.

Table 5: Total revenues and estimated broadcast revenue for the IFA, SFA and FAW in 2008

All figures in £m	IFA	SFA	FAW
Estimated broadcast revenues	2.0	8.3	2.0
Total (£m)	6.7	20.6	5.5
Broadcast revenues as a % of total revenues	30%	40%	36%

Note: SFA is for 12 month period 31 December 2008. IFA and FAW figures are for the 12 months to 30 June 2008. Broadcast revenues are for 1st, 2nd and 3rd party rights and are estimated from publicly available sources. SFA revenues don't include revenues from subsidiary companies, including Hampden Park Limited. SFA revenues including subsidiary companies totalled £24m in 2008.
Source: Annual Accounts, BSkyB, TV Sports Markets, Deloitte analysis and estimates

The table shows the broadcast revenues represent between 30% and 40% of total revenues for each FA and are therefore a core part of the funding mix.

The broadcast revenues, and hence total revenues, for both the IFA and FAW are set to increase substantially from 2008/09 due to new broadcast contracts at improved values. The IFA's and

FAW's new domestic rights contracts with BSkyB are reported to be worth on average £2.5m[55] per season and £3.25m[56] per season.

The SFAs new four year media contract with IMG from 2010/11 is reported to be worth £14.4m[57] per season on average, an uplift of over £6m (70%) per season on current contracts.

7.4 The impact of broadcast income on football

As a national governing body of football within their respective countries, the majority of revenues generated by each FA are invested in the development of the game through centrally administered programmes and distributions to clubs, after operating and administrative expenses have been covered.

The key expenditure items for an FA typically include:

- administrative costs - including staff wages, direct cost of sales, and operating expenses;
- match costs - costs associated with delivering matches, including international matches;
- payments to clubs - either distributions (such as prize money) in respect of club participation in competitions, or direct funding to grassroots clubs; and
- Development programmes - costs in respect of delivering central programmes including coaching, education, encouraging participation.

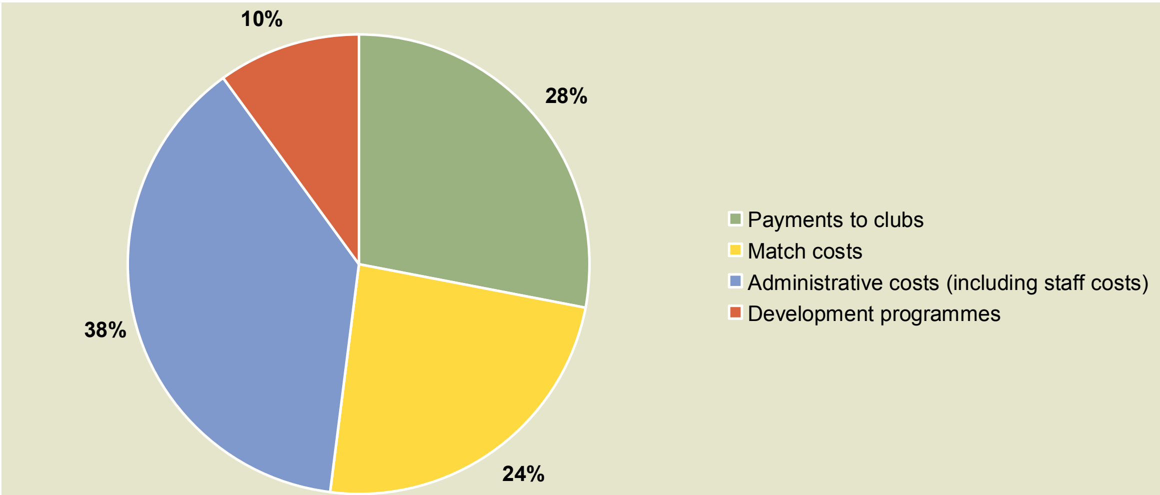
The figure below outlines expenditure for the SFA.

[55] TV Sports Markets (04.05.07)

[56] TV Sports Markets (01.06.07). Fee payment is reported as a minimum of £13m over four years with further potentially applicable depending on opposition.

[57] Scottish FA Annual Review 2009

Figure 28: SFA expenditure 2008



Note: Development expenditure doesn't include staff costs associated with administering development programmes (which are included in administrative costs).

Source: SFA

Given that administrative and match costs are largely fixed, or dependent on the number of home matches, the more revenues a FA is able to generate the more it is able to invest either in payments to clubs or development programmes. As an example, the SFA's total revenues increased by £2.9m between 2004 and 2008 with payments to clubs participating in the SFA Cup increasing by £0.6m from £4.4m in 2003/04 to £5.0m in 2007/08.[58]

7.5 The wider impacts of broadcasting on football

Balancing revenues and exposure

The table below gives an indication of the level of revenues for each FA relative to the population within each of the three countries. Each FA must achieve a balance between generating a sufficient level of revenues in order to invest in the development of the game within its jurisdiction, and achieving a suitable level of exposure for its key properties, particularly senior home international matches, in order to promote the sport.

[58] Note: SFA financial year is a calendar year with Scottish FA Cup payments for the respective season. SFA revenue increase of £2.9m excludes revenues from subsidiary companies.

Table 6: Total revenues, population and revenue per head of population for IFA, SFA and FAW

	Revenues (£m)	Population (m)	Revenue per head of population (£)
IFA	6.7	1.8	3.70
SFA	20.6	5.1	4.04
FAW	5.5	3.0	1.83

Note revenues are for 2007/08 for IFA and FAW and 2008 for SFA. SFA revenues exclude revenues from subsidiary countries.
Source: Deloitte analysis

Whilst football stakeholders derive revenues from sources other than the respective FAs, such as government funding and local sponsorships, the table highlights the challenge for each FA in generating sufficient revenues in order to fund the game in their respective countries. Each FA currently generates less than £5 per head of population.

The amounts available for each FA to invest in development programmes and distributions to the grassroots game in each country are less than the amounts indicated above as each FA must cover certain other costs, including matchday and operating costs, before being able to spend in developing the game. For example, the SFA's expenditure in respect of payments to clubs and development programmes (excluding staff costs) was 38%[59] of total expenditure in 2008. Hence the SFA's total expenditure in these areas equates to around £1.50 per head of population.

Therefore whilst securing a suitable level of exposure for national team home matches is a key consideration, given it is the key tool by which each FA can promote the game, the FAs must balance this with the need to generate a suitable level of revenues in order to develop the sport.

Leveraging coverage

FA's are able to leverage coverage for their other properties, such as domestic competitions and age-grade national teams, by packaging them with their most attractive property, the home matches of the senior men's national team. The table below outlines coverage for the SFA and FAW, split between domestic Pay TV and FTA coverage, within current contract periods.

[59] SFA Annual Review 2009

Table 7: Summary of current SFA and FAW broadcast contracts

	Pay TV	FTA
SFA 2006/07 to 2009/10	**BSkyB** - Exclusive live rights to all national team home qualification and friendly matches - Live coverage of selected other national team matches including under-21 home matches - Live coverage of the Scottish FA Cup. One live match per round from Round 4 onwards and shared live coverage of the final	**BBC Scotland** - Highlights of all national team home qualification and friendly matches - Live coverage of two matches from the Scottish FA Cup prior to the final and shared live coverage of the final. Saturday evening highlights coverage from each round from Round 3 onwards.
FAW (2008/09 to 2011/12)	**BSkyB** - Exclusive live coverage of all senior national team home qualification and friendly matches - Live coverage of selected Under-21 home matches	**S4C** - Highlights coverage to all senior national team home qualification and friendly matches, and other national team home matches - Up to seven live matches from the Welsh Premier League per season and weekly highlights. One live match per season (from the semi-finals or final)

Source: SFA and FAW press releases, TV Sports Markets

As an example, BSkyB broadcast a total of 38 hours (of which 14 hours live) of coverage of national team under-21 home matches for the FAW, IFA, and SFA equating to two, one, and three live matches respectively.

7.6 The wider impact of broadcasting on football funding mix

A key consideration for each of the FA's when considering its broadcast partners for national team matches and domestic competitions is the impact this may have on other revenue streams and assessing the net impact on overall revenues. For example, live coverage for each FAs home national team matches is currently on Pay TV, so an important factor for each FA is the likely impact on sponsorship or other commercial revenues and the impact on overall revenues.

Broadcast decisions by the respective FA also have a wider implication for other football stakeholders within that particular country, including:

- Direct distributions to clubs - FA's make financial contributions to members clubs and other constituent bodies through direct allocations or prize money payments. The level of broadcast revenues generated impacts on the level of these payments. As an example, the SFA distributed a record £7.6m (c30% of its total expenditure) to member clubs in 2007[60];and

- Impact on external development schemes - certain FAs make contributions to externally administered grassroots initiatives. In Scotland, the Scottish Football Partnership ('SFP'), a partnership between the SFA, Scottish government and Sports Scotland, awards grant funding to member clubs for either facilities or youth development. The SFA was able to make record payments of £2.9m to the SFP in 2007[61] as a result of record revenues; and
- Other revenue streams - the level of broadcast coverage and exposure secured for domestic competitions by bundling with national team matches provides exposure for clubs competing in these competitions and an important tool in clubs' commercial negotiations.

[60] SFA Annual Review 2007

[61] SFA Annual Review 2007

8 Case Study: England Netball

8.1 Summary

Netball is an example of a non-mainstream sport which has a continuing challenge in securing broadcast coverage to help promote the sport, but has benefited from the broadcast support and exposure it has achieved. The key impacts of broadcasting on the England Netball are outlined below.

- Netball is one of the largest female team participation sports in the UK, but has until recently received relatively limited broadcast exposure.

- England Netball's current broadcast arrangements involve a three way partnership involving a production company (Televideo) and BSkyB, with the latter providing two hour weekly programming of Super League and live coverage of international matches through the season (182 hours in total).

- The broadcast coverage has facilitated sponsorship support from the Co-operative, which has provided a number of value in kind benefits including promotional support for the sport.

- Government funding continues to form the core of England Netball's funding, although the body has reported increases in membership numbers and attendances at international matches following regular broadcast coverage.

- There are a number of other examples of other less mainstream sports which have benefited from broadcast support, and the resulting exposure they have received. Speedway received relatively limited exposure until 1995, since when BSkyB's support has resulted in consistently increasing coverage and exposure, which totalled 402 hours in 2008 (including 106 live hours of coverage). This support has provided a 'shop window' for the sport to promote itself, as well as allowing it to develop its competition structures and commercial inventory.

8.2 England Netball overview

Netball is an example of a non-mainstream sport which faces a continuing challenge in securing broadcast coverage to help promote itself to a wider audience. It is one of the largest female team participation sports in the UK, with England Netball, the governing body for the sport, reporting that over one million women and girls play the sport in some form every week.

As the governing body for the sport, England Netball is responsible for the governance and administration of the sport in England including organisation of the national team and domestic competitions at adult and junior levels, as well as the promotion and development of the sport at all levels. As a not for profit organisation its revenues are invested in the development of the sport, at both elite and grassroots level.

Key competitions include international matches and the Super League, the top domestic adult clubs competition in the country. The competition's inaugural season was 2005/06, and involves nine franchises from England, Wales and Scotland playing each other home and away (72 matches in total) followed by play-offs and a Grand Final.

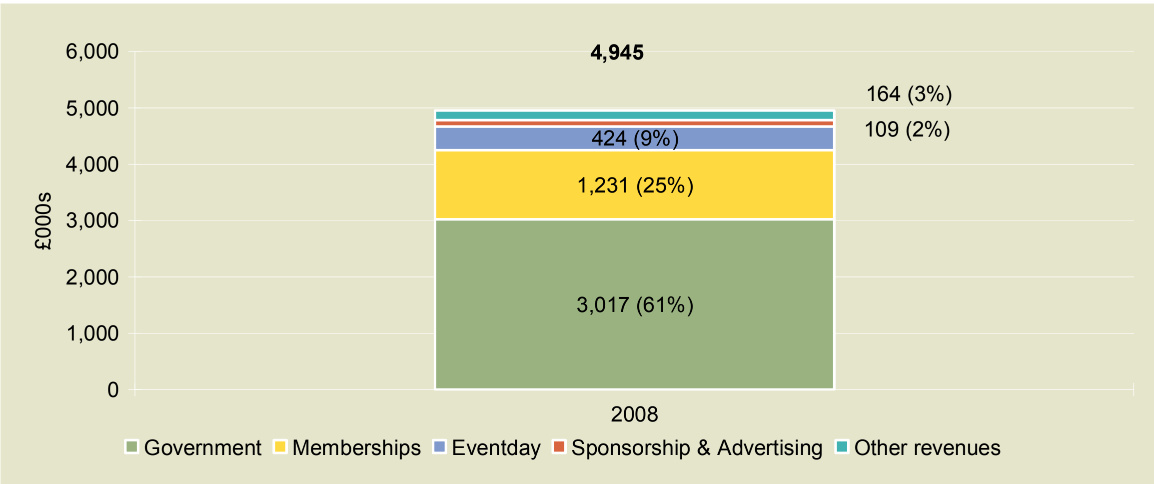
From 2006, England Netball has achieved broadcast coverage through a four-year partnership with a production company, Televideo, and BSkyB (from 2007), with two hours of programming on BSkyB Sports each week through the Super League season from October through to April, as well as live coverage of home international match series.

Whilst the partnership currently involves a financial contribution from England Netball rather than receiving any rights fee, emphasising the challenges facing less mainstream sports in achieving broadcast exposure, the relationship has been used as a key tool to build the profile and awareness of the sport.

8.3 The role of broadcast income in the funding mix

As shown in the figure below, government funding in the form of Sport England grants contribute the majority of revenues from which England Netball can invest in the game. As a non-Olympic sport, Netball does not receive the level of additional funding from UK Sport enjoyed by Olympic sports.

Figure 29: England Netball revenues 2008



Source: England Netball

Government grants contribute the majority of England Netball's revenues with a total of £3m in 2008, representing 61% of overall revenues of £4.9m, followed by membership income at £1.2m (25%). The next highest contributors are event day revenues (9%) and sponsorship (2%).

As part of England Netball's broadcast arrangements for the Superleague, the governing body and BSkyB both commit funds to support production costs for Superleague and certain other events, with Televideo providing production facilities for matches and underwriting additional costs.

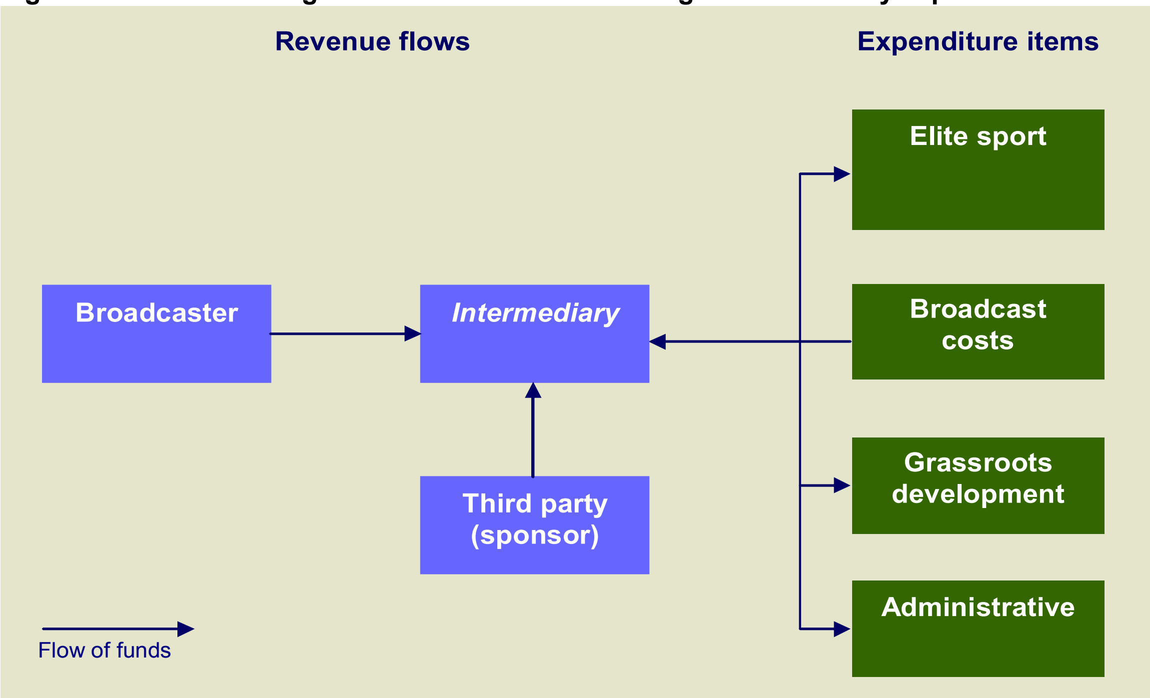
Televideo is able to offset additional costs through securing sponsorship for the Superleague, with a profit share arrangement between the three parties should the level of sponsorship secured mean that all costs are covered. The Co-operative bank has sponsored the Superleague and home international matches since 2007. Although this has yet to yield a profit, the Co-operative's support for Netball has had a number of other knock-on benefits, as explained later in this section.

Securing broadcast coverage is therefore an expense for England Netball although the full cost of producing matches is reduced through the commitment of Televideo and BSkyB, whilst England Netball benefits from television exposure for its sport.

8.4 The impact of broadcast income on netball

An overview of England Netball's broadcast arrangements and key expenditure items are outlined below.

Figure 30: Outline of England Netball broadcast arrangements and key expenditure items



Source: Deloitte

Elite costs include the costs associated with assembling national teams and playing matches. Broadcast costs cover two main areas – the funds committed toward production costs and certain costs in delivering clean venues (free of other non-netball court markings) for competition matches. Grassroots costs are those costs for initiatives in respect of developing the game. Administrative costs cover England Netball staff costs and operational expenses.

Costs in respect of the governing body's broadcast arrangements are estimated at c£200,000 per year[62] as part of the four year deal with Televideo and BSkyB.

8.5 The wider impacts of broadcasting on netball

England Netball's broadcast partnership with Televideo and BSkyB has impacted on the sport in a number of areas, including:

Coverage and exposure

A two hour weekly programme dedicated to the Superleague is televised on Sky Sports through the season. This includes live broadcast ('as live') of one match per competition matchday as well as highlights of other competition matches and supporting analysis and programming. Including

[62] Deloitte estimate based on consultation with England Netball

BSkyB's coverage of international matches, this equated to 24 live matches in 2008 with 182 hours of coverage, as outlined in the table below, providing an important 'shop window' for the sport to promote itself.

Table 8: BSkyB broadcast coverage of Netball 2008

	Number of live matches	Total hours of broadcast coverage
Domestic competitions	21	160
International matches	3	22
Total	24	182

Source: BSkyB

Commercial support

Whilst the Co-operative's title sponsorship has not as yet yielded direct net revenue benefits to England Netball it has been beneficial to the governing body in a number of areas in promoting the sport with the body noting 'The mass media can help sport bodies sell tickets to major events, can create markets for sponsorship, merchandising and improve international 'brand' recognition[63]. For example, as part of its commitment to the sport, the Co-operative has provided resource and promotional support for Netball's bid to become an Olympic sport from 2016. The initiative involved surveys of customers at the Co-operative's 2,200 stores nationwide to build support for Netball's Olympic bid.

In addition to title sponsorship of the Superleague, the Co-operative has extended its commitment to Netball through sponsorship of the international series between England and Malawi in 2008 and Jamaica in 2009. Whilst this again does not mean direct funding for England Netball, it is value in kind promotional support for the sport.

Membership and attendances

Whilst broadcast coverage of netball has been secured relatively recently, there have been a number of wider benefits to the sport, and England Netball in particular. England Netball has reported an increase in affiliated memberships from 61,000 in 2006, before broadcast arrangements commenced, to a current level of approximately 70,000. This has had a revenue benefit for the organisation itself, as shown on the following page.

The increased profile of the sport has also benefited attendances at international matches. Cumulative attendances for the three match home series against Jamaica in 2009 totalled approximately 15,000 for matches played in London, Nottingham and Coventry.

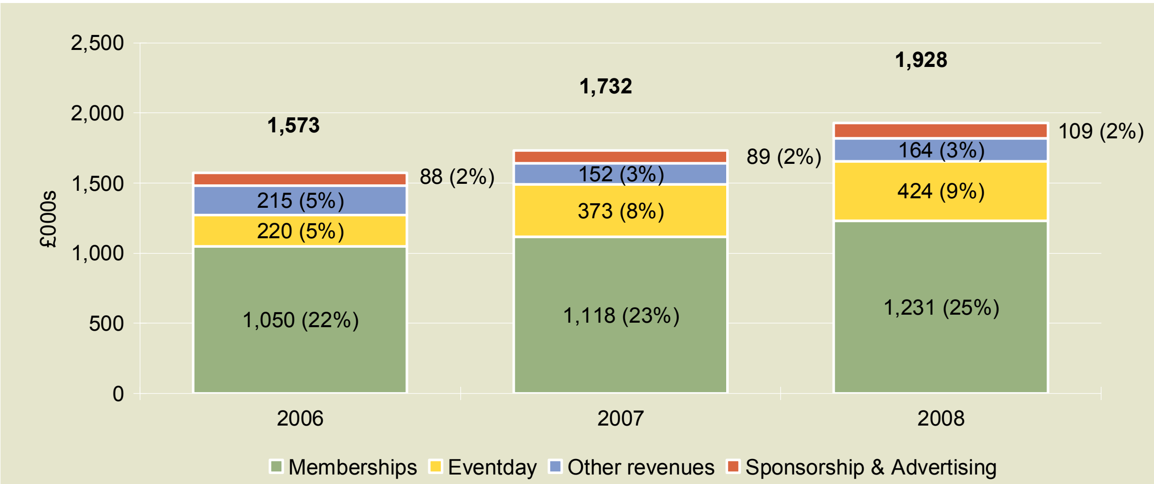
[63] England Netball Annual Report 2008

8.6 The wider impact of broadcasting on netball's funding mix

As indicated, the broadcast coverage of Superleague and International matches has been a key contributor to increasing the profile of the sport. In particular, England Netball has recorded memberships and event day revenue benefits. Whilst Government funding remains the key source of revenue for the body itself, these revenue streams have achieved growth over the period from 2006.

The figure below shows England Netball revenues, excluding government grants, for 2006 to 2008.

Figure 31: England Netball revenues 2006 to 2008 by revenue source (excluding government funding)



Note: year end 31 March 2008. Percentages are proportions of total revenues including government grants.

Source: England Netball

As shown, membership revenues have increased by over £180,000 (17%) between 2006 and 2008 with an increase in affiliated members to c70,000. Whilst event day revenues have almost doubled from £220,000 to £424,000 between 2006 and 2008, the level of attendances for the recent series hosted against Malawi (2008) and Jamaica (2009) could result in further revenue increases for the financial period from 2009.

Whilst these revenues are still comparatively low compared to the level of government grants, the increases across other revenue streams is important in both achieving overall revenue growth and a more balanced revenue profile and reducing the dependence of the sport on grants.