1. Introduction

Sports are big business with unique public policy aspects. There is significant public interest both in terms of viewing as a spectacle in itself, but also in the success or otherwise of athletes and teams. The sector attracts significant public spending, and the amounts have grown rapidly since the 1960s and 1970s. For example, annual spending by the Australian Commonwealth government increased from between A\$5–8 million in the 1970s to A\$24.8 million in 1983 and A\$307 million in 2013 (see Annex to this chapter). This does not include major infrastructure grants, often provided by state governments for new facilities. Wilson and Pomfret (2009) estimate that approximately A\$2 billion was earmarked for stadium development in the years from 2000 to 2009. Outcomes are often measured in direct success, such as gold medals in Olympic Games; estimates of the cost to Australian taxpayers of an athletics medal at the 2012 London Olympics vary from a minimum direct cost of A\$15.5 million to over A\$100 million (Jolly, 2013, 30).

Towards the end of the nineteenth century, spectator sports emerged as a major recreational pastime and began to attract larger crowds. Through the twentieth and into the twenty-first century, sport has become a significant business. Technological shifts enabled mass audiences beyond those spectators physically present, and broadcasting, first by radio and then by TV in the second half of the twentieth century, vastly increased the value of players, teams, leagues and sporting events.

Many sports carry with them positive externalities and even public good aspects. Watching sport generates interest and hence is likely to increase participation, which creates positive spillovers in terms of health and productivity. Moreover, there are ‘warm glow’ effects that may arise from success of a team or individual athlete, or even from hosting an event. Partly because of these uncaptured benefits, governments have been ambivalent about treating professional sports as just another business, and are highly involved in providing subsidies and in exempting sports from regulations such as labour laws or competition policy.

The sports industry exhibits a host of characteristics that render it unique in terms of economic analysis. The peculiar economics of sport have been well documented, in particular the inclusion of rivals in the

production function and the associated need for some level of agreement over rules. The desire for an undisputed champion creates pressure for a single organization, with monopoly powers. Labour markets are characterized by pervasive rents (that is, the payment received by a player is usually far greater than they could earn in any other employment and the output of stars can have a very high value), which leads employers to limit players' bargaining power by restrictive practices such as limiting players' choice of team and capping salaries. In terms of public policy, the sector is characterized by exemptions to labour market regulations and competition policy, and by pervasive public subsidies that are particularly focused on the provision of infrastructure (stadiums) and to fund the bidding for and staging of mega-sporting events. The sports industry is often plagued by corruption, associated with bribing officials or with betting, and also with respect to international governing bodies which at times appear to be beyond national law.

1.1 ORIGINS

The historical origins of football, cricket and their derivatives or relatives can be traced back through the centuries. From the perspective of the modern sports industry, the first major development came when bodies began to set standard rules so that teams did not have to agree on the rules before every game. Rules set by the New York Knickerbocker Club or the London Marylebone Cricket Club remain the basis for baseball and cricket. In the US and UK, modern winter sports were often played as adjuncts to these major summer sports, and there was more disagreement over the appropriate rules, for example, for rugby or association football in England. In Melbourne during the gold rush of the 1850s, Australian football was devised as the best combination of both English football codes.

The popularization of team sports was a direct consequence of the industrial revolution in the eighteenth century. By the middle of the 1800s the benefits of economic growth were becoming more widely spread as industrial workers' wages allowed discretionary spending beyond a subsistence level of food, shelter and clothing. Factory workers and social reformers also succeeded in reducing working hours first for children and then for adults. By the 1840s and 1850s, skilled workers in New Zealand and Australia had obtained a 40-hour week¹ and similar changes would gradu-

¹ Average hours worked per week were higher, but fell rapidly in Australia after 1870 from over 55 to under 45 in 1913 (Shanahan and Wilson, 2013; Huberman and Minns, 2007).

ally be introduced in Western Europe and North America. For working-class men with leisure time, team sports became a popular pastime, both for playing and watching others play. The great innovation in the 1860s and 1870s in the cities and industrial towns of England, North America and Australia came from entrepreneurs who realized that by enclosing a ground they could charge entry fees, which enabled payment of players. Hence, a profit motive emerged in the running and organization of sport.²

An important feature in the early evolution of sports was the distinction between amateurs and professionals. Players of team sports at exclusive schools or colleges were shocked when the sports became more popular, and they often resisted professionalization. This was less powerful in the countries of immigration: in the US the Knickerbocker Club's influence rapidly declined after the formation of the first professional baseball league in 1876, and Australian football, although devised by graduates of English and Irish private schools and colleges, never distinguished between paid or unpaid players at the highest level. In England, the popularization of rugby was set back for a century by the 1895 split between the amateur rugby union and the professional rugby league.³ Amateur and professional cricketers played side-by-side, but the distinction was recognized in a 'Gentlemen versus Players' match that was a high profile part of the English season's fixtures from 1806 until 1962, when the amateurism concept was finally abolished. For some commentators one reason for soccer's success was that the Football Association and the Football League managed to co-exist, with the former responsible for setting rules, running a knock-out competition (the FA Cup), and international fixtures (Szymanski, 2006a). In individual sports the amateur criterion lasted longer, and continued to define the leading tennis and athletics events until the 1960s.⁴

² An early example was the enclosed Brooklyn 'Union Fields' built by William Cammeyer, which allowed entry to be charged. The initial tenant was the Brooklyn Eckfords, with the stadium owner's Mutuals taking a more predominant role after 1868. The ground was offered as an area where fans could be seated safely – 'where ladies can witness the game without the indecorous behaviour of the rowdies who attend some of the first class matches' (*Brooklyn Eagle*, 1862). Segments outside of the fee-charging enclosure were free to the public, with the second game in 1862 purportedly attracting 6000 fans, of whom 3000 were non-paying.

³ The split was so rancorous that for almost a century anybody over the age of 18 associated with rugby league was banned for life from playing rugby union. Several athletes have had Olympic medals stripped due to 'professionalism'. However, the distinction between legitimate payments for expenses or provision of a soft non-sporting job and illegitimate payments was an issue whenever a commercialized sport sought to maintain the amateur/professional distinction.

⁴ In boxing an international circuit of top fighters in Britain, North America and Australasia developed, and a world heavyweight champion has been recognized since the 1880s. Organizations for professional golfers were established in the early twentieth

The commercialization of sport emerged in the second half of the nineteenth century. People were paying to watch baseball in the US in the 1860s, and the National League, formed in 1876, was the world's first professional sports league. By the 1910 season, major league baseball was selling over seven million admission tickets (Vamplew, 2006, 439). In England and Australia cricket became a popular spectator sport, especially when representative teams from the two countries met in Test matches starting in 1877, but even games between English county teams could attract 10 000 people.⁵ In soccer the FA Cup, established in 1871, started as a competition among former pupils of private schools, but in the 1880s became dominated by teams from the industrial regions and crowds of 10 000 could be attracted to games between local rivals and by the end of the decade the FA Cup Final attracted over 20 000 spectators.⁶ In 1888, 12 teams from the industrialized parts of England formed the Football League. Crowds were even bigger in Melbourne, where an 1886 Australian Rules football game between South Melbourne and Geelong was watched by a crowd of 34 000 (Vamplew, 2006, 437), and in Sydney, where a crowd of 52 000 saw New South Wales play New Zealand at rugby in 1907, just before the Australian split in favour of rugby league over rugby union.⁷ Surprisingly the American version of football, like basketball, remained primarily a university sport until the 1930s when it became a popular professional team sport.

century, but in tennis professionals remained on the fringes and the prestigious events were for amateurs only. The Olympic Games were revived in the 1890s as an explicitly amateur sporting event.

⁵ League cricket with professional players became popular in the industrialized regions of England, but commercial development was hampered by the higher prestige of the county and international games, which remained firmly under the control of traditional amateurs opposed to unalloyed commercialization. Cricket also remained largely amateur in Australia during the period and attracted large crowds in domestic first class matches between states. The average crowd attendance for matches during the 1892–93 season was over 6000 (Vamplew, 1988, 384).

⁶ This was the decade when the amateur/professional distinction was set aside. At the start of the decade all teams were amateur, but unofficial payments became rife. After Preston North End defeated the London club Upton Park in the FA Cup in 1884, Upton Park protested that their opponents had fielded a paid player and Preston was disqualified. Under threat of a breakaway, the FA allowed payments to players the following year.

⁷ Horse racing was even more popular with 100 000 attending the Melbourne Cup in 1880. Attendances at football matches (both Australian rules and rugby league) increased after World War I to approximately 100 000 per round in aggregate (Vamplew, 1988).

1.2 THE MODERN SPORTS INDUSTRY

By 1920, the major sports had been established in their modern form, and in particular the distinctive forms of football would remain separate.⁸ During this initial period, when sports were being established as a commercial activity as well as a pastime, the main economic aspects were entrance fees for spectators and betting. Gambling was traditionally associated with races and fighting, although the first major betting scandals associated with professional team sports occurred in the 1910s.⁹

Although the format of the major sports has changed little since 1920, the economics have been transformed by broadcasting. The first commercial radio broadcast of a sporting event was the 1921 Dempsey-Carpentier world heavyweight boxing championship fight. In the same year a Pittsburgh-Philadelphia baseball game was on the radio, for which the clubs charged the broadcaster an access fee and such fees became a lucrative income source. In Britain a radio monopoly was established in 1922, which was brought under public ownership in 1927 as the BBC. The first sports broadcast in England was a Sheffield United v Arsenal football game, but as a public service (and with monopoly power) the BBC was unwilling to pay for access to sports events.¹⁰ In Australia a mixed model of public and competing commercial broadcasters was established in 1932. In the US sports organizers quickly discovered that broadcasting did not undermine attendance, and could be used as a marketing tool to boost attendance as well as providing an additional revenue source.

The spread of television after 1945 provided an even better opportunity. As picture quality improved, sports viewing became more attractive. In the 1960s the NFL was especially aggressive in developing a new negotiating

⁸ Collins (2013) argues that experiments across the Anglophone sphere to define rules for 'handling' versions of football addressed similar issues (release of the ball after tackles, scrums, balance between touchdown and goal-kicking points, etc.) and many features that would eventually characterize, say, American football were tried in other countries. Only in the early twentieth century, after the 1895 split between rugby union and rugby league and with the introduction of the forward pass in American football in 1906, were the key distinguishing features established.

⁹ Notorious historic cases include the 1919 baseball World Series, when eight of the Chicago White Sox team bet on themselves losing, and a 1915 English football league game in which Manchester United defeated Liverpool 2–0 and players from both teams bet on the result. Eight of the 'Black Sox' were banned from baseball for life. Four members of each of the two English teams were banned from soccer for life.

¹⁰ According to Szymanski (2006b) the BBC was 'outraged' when asked to pay for the right to provide a radio commentary on the 1929 FA Cup Final. This and the next paragraph draw heavily on Szymanski's article.

model (the league as a whole playing off the three TV networks on an all-or-nothing basis, rather than baseball's model of negotiating local broadcasting rights) and fine-tuning the rules and playing schedule to fit better with the demands of TV and its advertisers. By the 1980s the NFL had the largest TV revenues of any league, and the TV contract was a major part of the clubs' income.

In Europe the largely state-owned broadcasters were more reluctant to pay for coverage of sporting events, and without direct evidence the sports leagues were more suspicious of the impact on attendance. Australian experience was somewhere in between, as competition from private radio and TV put pressure on the state-owned broadcaster. In Australia and the UK, televised cricket, especially international test matches, had become popular, with the traditional governing body asking only for a small fee from the public broadcaster. In the mid-1970s, when the Australian Cricket Board rejected Kerry Packer's higher bid for TV rights, he signed up the best cricketers for a World Series, which was broadcast on his Channel Nine. World Series Cricket was short-lived and traditional test matches returned to the fore, but Channel Nine won broadcasting rights and the ABC and the Australian Cricket Board recognized that if they did not compete on a commercial level (for example, with player wages) they could be outbid by private interests. An echo of this episode occurred in the 1990s when Packer's rival, Rupert Murdoch, challenged the rugby league monopoly (and its granting of exclusive TV rights to Packer's group) by setting up a Super League whose games were broadcast by Murdoch's TV network; again the outcome was a compromise and apparent reassertion of the status quo, but with recognition of the power of the media and interdependence of TV and live commercial sports.

Premium sports and TV proved an ideal commercial marriage, as fans who are not at the event, see no close substitute to live TV broadcast, rendering demand inelastic. Moreover, the product is highly perishable (there is little demand for last week's game), reducing the possibility of resale undercutting the revenues from live broadcasting. Technology has dramatically changed the relationship between TV and sports. In the 1960s the evolution of satellite technology permitted much wider live coverage, increasing especially the global visibility of mega-events such as the Olympic Games or the Fédération Internationale de Football Association (FIFA) World Cup. In the 1970s and 1980s, cable and then digital technology increased the number of channels available to most households. In Europe this was accompanied by deregulation, and competition from new broadcasters rapidly increased the value of TV rights. For example, the Football League's TV revenues for the 1991 season were £11 million

and in 2006 the corresponding figure was £550 million.¹¹ The negotiation of TV rights has indeed become such an important aspect that a 2014 restructure of the governing arrangements for world cricket was partially aimed at increasing bargaining power over TV rights.¹² Apart from vastly increasing the financial stakes in the sports industry, TV has also raised concerns about monopoly as commercial broadcasters acquire exclusive rights and about competitive balance as the most glamorous teams have greater TV audience potential.

1.3 THE STRUCTURE OF THIS BOOK

The preceding discussion documents the dramatic increase in popularity and commercial nature of sports around the world. The speed at which this has taken place has varied. In the late nineteenth and early twentieth centuries incremental steps associated with the construction of purpose-built stadiums and more professionally organized competition occurred rather slowly, while in the late twentieth century dramatic commercialization and increasing value of broadcast rights have brought about swift changes. One readily observed feature is the active role governments have taken. Moreover, this role has not diminished as it has done in many other private sectors such as manufacturing. This book examines some of the major policy interventions in the sports sector.

Chapter 2 analyses alternative approaches to organizing professional team sports' structures. The international literature will be reviewed, but it is typically seen in an oversimplified context of an American closed cartel system and a European promotion/relegation system. The Australian situation is interesting, in particular because the four major football codes have differing characteristics. Australian football is a national game not played professionally anywhere else. The other popular spectator sport, rugby league, has come under increasing challenge since rugby union became professional in the 1990s and attracted star players from the National Rugby League (Australia) (NRL). In rugby union, Australia is a major world power, although the domestic spectator base is weak.

¹¹ Multiplication of channels provided niche opportunities for previously minor, in commercial terms, sports such as snooker, darts or beach volleyball. In some countries the expansion of pay TV has raised issues of whether some sporting events of national interest should be available free-to-air, with such legislation (for example, in Britain and in Australia) being opposed by the rights owners and sporting bodies. These developments will not be covered in this book.

¹² See comments by England and Wales Cricket Board head Giles Clarke who reported on 11 February 2014 at <http://www.bbc.com/sport/0/cricket/26096782>, accessed 1 February 2014.

Australian soccer is part of a global industry in which players are internationally mobile. Australia has seen important competitive and structural changes over the last two decades. In cricket, Packer challenged the traditional organization to establish World Series Cricket in the 1977–78 Australian cricket season. In football, the Australian Football League (AFL) and NRL, traditionally with separate strongholds, competed for a national market, with AFL the clear winner, although rugby league remains popular in its heartland of Sydney and Brisbane.

Chapter 3 analyses the economic issues surrounding restrictions over player wages and movements. Labour markets in professional team sports are uniquely anti-competitive. Through systems of salary capping and player drafts, few leagues exhibit anything that could be considered close to a competitive labour market, with restrictions on workers' rights that would be unacceptable and illegal in other sectors of the economy. The main exception is European football, which since the Bosman ruling in 1995¹³ has had a competitive labour market, with global implications given the international market for soccer players. We examine the likely beneficiaries from alternative arrangements, the impacts on incentives to participate, the possibility of corruption in the brokerage of player transfers, and the effects on competitive balance. Australia provides an outstanding laboratory, especially with respect to the four major football codes. There is also an interesting difference between the frequency of player strikes and lockouts in North American team sports and their absence in Europe and Australia, despite the generally weaker role of labour unions in the US economy. A final topic is the superstar phenomenon, which leads to huge disparities between the earnings of the very best and the next-best players, especially in individual sports.

Chapter 4 examines government provision of infrastructure to sport, and in particular the large amounts of public money spent on the construction and upgrading of stadiums. The arguments for this generally turn on three hypothesized external benefits. The first is that team sports encourage participation and are thus associated with health externalities. Second, the construction process itself is a form of windfall gain for the economy. The third is that through the staging of sporting events, there are economic benefits that flow through to other sectors such as tourism and hospitality. All of these, it is argued, lead to what would be an under-provision of facilities by the private sporting entities. Critics question why taxpayers should subsidize the major capital outlay of private producers in the sports industry, when most other businesses would be expected to

¹³ Case C-415/93 *Union Royale Belge des Sociétés de Football Association ASBL v Jean-Marc Bosman* (1995).

fund such expenditures out of their own revenues. At very least, there does seem to be a private gain to constructing sporting stadiums, which justifies a larger proportion of private money.

Chapter 5 asks why national, state or local governments are so willing to fund one-off sporting events. The Olympics, the FIFA World Cup and similar events generate great interest. As a general rule however, these events tend to be funded by taxpayers while most of the direct gains accrue to governing bodies of the sport (for example, the International Olympic Committee (IOC) or FIFA). Hence, the rationale for staging these events is the likely indirect benefits, but these are often overstated or indeed non-existent. The economic focus draws upon some issues considered in the previous chapter; however, there are issues specific to mega-events, in particular the claims surrounding employment and lasting legacy effects and pervasive cost over-runs. The stakes appear to be spiraling upwards as, for example, over \$50 billion was spent on the 2014 Sochi Winter Olympics, compared to \$6 billion by Vancouver in 2010, and controversy heightens; even in soccer-mad Brazil, public demonstrations protested the \$3.2 billion being spent on stadiums for the 2014 World Cup when many Brazilians live in poverty with inadequate access to public facilities such as schools or hospitals.

Chapter 6 examines the reasons behind bidding for mega-events. Sporting events such as the Olympic Games and FIFA World Cup, or on a smaller scale the Commonwealth Games or regional events, attract competing bids from nations or cities, mostly made at taxpayers' expense. The spending is often large and non-transparent. As demonstrated in Chapter 5, even with a successful bid the net gains to the host community are often negligible or negative. Losing bids incur costs for little if any benefit. Nevertheless, competition among rival host cities for mega sporting events and spending on bids has intensified over the last 30 years. Analysis of bidding is a distinct issue from evaluating costs and benefits of hosting mega-events because the amounts involved at this stage are smaller and more susceptible to lobbying interests wishing to distort welfare-maximizing public policy. The bidding process is typically characterized by the persuasion of the public regarding net benefits of hosting the event and arbitrary method of awarding hosting rights that are associated with hidden costs and appropriable rents. Here too, controversy is becoming more frequent; in 2013 proposals to bid for the Summer Olympics by Vienna and for the Winter Olympics by Munich were put to referenda, and were rejected.

Chapter 7 addresses corruption and other unethical behaviour. There exist three main areas of concern. The first is that of institutional corruption of governing bodies such as FIFA and the IOC or administrators

of professional sports leagues; the concentration of discretionary power coupled with low levels of transparency creates a conducive atmosphere for conflicts of interest and for rent-seeking and corruption to take place. The second area, betting scandals, is difficult to resolve because information asymmetry between fans and players allows for effort to be adjusted to achieve sub-optimal outcomes. For example, in 1981 two Australian cricketers (Dennis Lillee and Rodney Marsh) bet against their own team to take advantage of extreme odds placed on their English rivals – did the Australians then reduce their effort or did England play better to win the match? As such behaviour has come under increased scrutiny, ‘exotic-betting’ on an obscure issue (for example, the timing of the first free kick or the number of no-balls) has flourished as a less heinous action on the part of the player, and one less likely to be detected. Finally, efforts to abate the use of performance-enhancing drugs seemingly rest on improved detection and credible punishment, but there are different strategies, such as using third-party agents to ‘certify’ athletes (thus creating a legal responsibility for the accrediting agency for detection) and a variety of forms of punishment, from rescinding past medals/titles through to fines and bans. We examine the likely effects of these instruments and consider their effects at different stages in an athlete’s career.

Chapter 8 examines the role of governing bodies. These typically evolved from volunteers giving their time to set rules, settle disputes and so forth into more formal bodies, which with the increasing amounts of money involved have become powerful, and plagued by charges of either incompetence or corruption. Governing bodies such as FIFA and the IOC have absolute control over their sport, to a degree where they are able to challenge and occasionally override international or domestic laws. We examine a variety of different models in sports governance and assess possible reforms, which might enable independence over issues relating to a sporting league, but not absolute power so as to allow these entities to stand above the law.

Chapter 9 summarizes the main findings of individual chapters, and suggests some possible policy reforms and directions for future government policy.

ANNEX: PUBLIC FUNDING FOR SPORTS IN AUSTRALIA

Public funding for sports is remarkably non-transparent, even in a democracy such as Australia. Jolly (2013), in a background note for Parliament, provides the most thorough account of public spending at the federal

level; however frequent organizational changes and indirect funding, for example through matching grants for state expenditures, make accurate measurement difficult. Poor governance, highlighted by the 1993 sports-rorts affair (see below), further hinders identification of public spending. Funding at the state and local level tends to be even less transparent, often hidden in semi-autonomous bodies' budgets and protected from investigation by resort to a 'commercially sensitive' defence.

Prior to the 1970s, most government spending on sport in Australia was at the local level with an emphasis on recreational activities (tennis courts, football grounds, etc. for community use).¹⁴ Local governments still spend more on recreational sporting facilities than state and federal governments (Jolly, 2013, 1), reflecting that the massive increases in public expenditures since the 1970s have been overwhelmingly directed towards elite sports and spectator sports rather than participatory sports. In the 1920s and 1930s, Australian governments assisted athletes to compete in the Olympic and Empire Games, but state funding was minimal and the Australian Olympics Committee was expected to raise money to support Australian competitors (essentially the situation today in the USA).¹⁵

Pressure for state support for sport developed in response to systems established elsewhere, notably Europe where governments established sports ministries and invested in facilities for elite athletes in the 1950s and 1960s. The 1972–75 Whitlam government began to provide substantial grants for elite programmes and to support state governments' construction of sporting facilities. The 1975 Fraser government initially scaled back these commitments, both in reaction to over-spending by its predecessor and in an apparent ideological belief that sports should be funded by the private sector. This position was shaken by the public reaction to the 1976 Montréal Olympics, where Australia's 184 athletes failed to win a single gold medal, returning with only one silver and four bronze medals. Around the same time, the health benefits from sport began to be more widely recognized, providing a further catalyst for active public policy towards sports. In 1981 the Australian Institute for Sport (AIS) was opened, with a first cohort of 152 athletes in eight sports (basketball, gymnastics, netball, soccer, swimming, tennis, track and field, and weight-lifting). The Fraser government also committed A\$25 million in matching funds for states establishing international sports facilities. Annual funding

¹⁴ Stewart et al (2004) provide a history of sport policy in Australia. A source for historical articles is *Sporting Traditions: The Journal of the Australian Society for Sports History*.

¹⁵ Public funding to improve national fitness was provided under the 1941 National Fitness Act, but this was related to concern about soldiers' fitness and such funding withered in peacetime. State funding was also provided for surf lifesaving, but this was seen as a community service rather than a sport or promotion of fitness.

increased from A\$6–9 million in the fiscal years from 1973–74 to 1980–81, to A\$19 million in 1981–82 and A\$25 million in 1982–83.

The 1983 Hawke government created a Department of Sport, Recreation and Tourism, indicating an enhanced federal government commitment to both participatory and elite sports, although ‘in reality the funding balance favoured elite programs’ (Jolly, 2013, 9). The Australian Sports Commission (ASC) was established as an independent statutory authority that would be a coordinating body. By 1995–96, federal funding channelled through the ASC had grown to A\$170 million. Proliferation of programmes raised governance issues, highlighted by the 1993 ‘sports-rorts affair’ when the Minister for Sport resigned following allegations of non-accountable allocation of funds under the Community, Cultural, Recreation and Sporting Facility Program.¹⁶ In 1990, the government acknowledged a duty of promoting integrity in sport by establishing the Australian Sports Drug Agency (renamed ASADA in 2006). The Hawke government was also the first to explicitly promote economic benefits as a justification for public funding, providing support for the 1987 defence of the America’s Cup yacht race in Perth and for the Australian Formula One Grand Prix in Adelaide.

The 1996 Howard government maintained the commitment to both participatory and elite sports, including honouring the previous government’s promise of A\$150 million for facilities for the 2000 Sydney Olympics.¹⁷ The 2007–13 Rudd-Gillard-Rudd governments also emphasized continuity. The level of federal spending through the Australian Sports Commission continued to increase from A\$100 million in 1996–97 to A\$233 million in 2006–07 and A\$308 million in 2012–13.¹⁸ Sports funding became more controversial, as reflected in reaction to the 2009 Crawford Report, which recommended increased funding for sport and maintaining focus on both elite and participatory sports.

The Crawford Report highlighted the distribution of funding across sports, for example, that archery received more public funding than cricket, and water polo more than golf, tennis and lawn bowls combined. The President of the Australian Olympic Committee was outraged by this ‘insult’ to Olympic athletes, while other commentators welcomed discussion of which sports deserved public support (Jolly, 2013, 25).

¹⁶ The Minister’s response that no records were kept because allocations were made on a whiteboard that was regularly wiped clean did not help her case.

¹⁷ The total subsidy from the federal government was much higher, A\$247 million according to the official report at http://fulltext.ausport.gov.au/fulltext/2002/nsw/fin_cont_report.pdf, accessed 1 February 2014.

¹⁸ Figures from the annex tables in Jolly (2013). She also provides a long list of ‘additional funding measures’.

Such discussion was further stimulated by relative failure at the 2012 London Olympics, when Australia won only 35 medals (11 fewer than in 2008 and 23 fewer than in 2000) and in swimming (an area of traditional success) a single gold medal.¹⁹ The 2013 'Winning Edge' strategy explicitly related spending to medal-winning success, with the aim that Australians would be among the top five medal winners at the Summer Olympics and Paralympics and among the top 15 at the Winter Olympics, and number one at the Commonwealth games. Such objectives elicited calculations showing that the cost of a medal in differing Olympic sports varies greatly, raising questions of whether funding should focus on cheap medals or popular events. A similar issue arose when the government provided support for Australia's bid to host the 2022 soccer World Cup; both Australian rules and rugby officials demanded compensation for loss of business that they expected to result from subsidies to their competitor. Another distributional issue is associated with the Australian Institute of Sport training provided to individuals in high-income sports, with proposals that successful Australian Institute for Sport (AIS) graduates should repay the cost of their training out of future incomes.²⁰

In Australia, federal government funding changes reflect increased government support for sport, which has grown rapidly since the 1970s, but are a poor indicator of the actual total level of public spending. Relations between federal, state and local governments complicate the Australian situation. A national lottery to raise funds for sports, as in New Zealand and elsewhere, has been rejected because of conflicts with states' rights. Matching funds, where the federal government provides dollar-for-dollar enhancement of states' funding of sports projects, are not included in the spending figures above, but give the federal government substantial leverage and have been a significant part of, for example, the stadium spending analysed in Chapter 4. State and local government spending is generally even more opaque, as will be apparent in the discussion of the situation in South Australia in Chapter 6.²¹

¹⁹ Public inquiries in 2013 into swimming and cycling concluded that the problem was poor governance rather than inadequate funding (Jolly, 2013, 29).

²⁰ The proposal, similar in principle to the Higher Education Contribution Scheme (HECS) system where Australian University students receive a low-interest loan to be repaid out of their future earnings, has been rejected by Australian governments on the grounds that it would not be worth the revenue raised. The numbers are small, but they include high-profile individuals; half of the 16 sportsmen earning over \$3 million in 2012 (Annex to Chapter 3) were graduates of the AIS (Bogurt, Clarke, Wilkshire, Evans, Watson, Ponting and Warner) or of the Victorian Institute of Sport (Day). Jolly (2013, 44) reports the estimated annual cost of an AIS trainee of A\$28 000 in 1999 and A\$50 000 in 2012.

²¹ We focus on South Australia because we are familiar with the situation in that state, although reports from other states are similar. South Australia governments seek the kudos of bringing sporting events to the state while hiding the cost, which is spread across

Governments also have large influence on sports funding through their control over TV governance and over sponsorship. For most of the twentieth century, cigarette companies were major sponsors of sports; even clean-living cricket legend Donald Bradman appeared in cigarette adverts and on cigarette cards. In the 1970s, the government began to impose restrictions on cigarette advertising, including a 1976 ban on radio and TV advertising; at that time the three major tobacco companies in Australia (Philip Morris, Amatil and Rothmans) were the three largest sports sponsors.²² Legislation in 1993 to phase out tobacco advertising was strongly opposed by the Australian Cricket Board. Sponsorship of sporting events has continued to increase, exceeding A\$1.25 billion by 2006 (Jolly, 2013, 53), at which time a Senate Committee estimated that about a quarter of the revenue of professional sports came from alcohol sponsorship. Suggestions that alcohol advertising or sponsorship should be limited are strongly opposed by sports administrators, and similar conflicts arise over sports sponsorship by 'junk food' companies (contributors to obesity and other health problems) and the gambling industry (contributor to social problems).²³

many budget items and aggregated into totals. The potential for political influence were highlighted by Premier Mike Rann's personal intervention to draw Lance Armstrong to the state using multi-million dollar appearance fees in the Tour Down Under (see: <http://www.theaustralian.com.au/news/mike-rann-set-out-to-entice-lance-armstrong-to-adelaide-for-tour-down-under/story-e6frg6n6-1226499967833> accessed 10 June, 2014).

²² The biggest deals involved Benson and Hedges and the Australian Cricket Board and Winfield (Rothmans) and the New South Wales Rugby League (Jolly, 2013, 53).

²³ Hard data is scarce, but the 2012 deal between the Australian Football League (AFL) and Carlton and United Breweries was widely reported to be worth over A\$50 million. Many National Rugby League (NRL) clubs have sponsorship agreements with casinos, gaming machine manufacturers or betting agencies. McDonald's is an Australian Olympic Team partner and sponsors many professional sports teams and children's sporting events.