

WHITE PAPER

A Plan for a National Second Division in Australia

**Prepared in consultation with
the National Second Division
Working Group**

June 2019

1. INTRODUCTION

1.1 BACKGROUND & PURPOSE

The National Second Division Working Group (**Working Group**) was established to consider the key principles that should underpin the introduction of a national second tier competition for football in Australia (**National Second Division**). The Working Group consisted of representatives of Football Federation Australia (FFA), the Association of Australian Football Clubs (AAFC), Professional Footballers Australia (PFA) and the State Body Members of FFA (**Member Federations**).

The Working Group considered and discussed a great number and variety of issues that flow from seeking to create a National Second Division, as will be clear from this White Paper.

The purpose of this document is to highlight and summarise a number of these important issues as well as to provide strategic guidance on the way forward, based on the views of the Working Group. It is not intended to be definitive on the structure and operational aspects of any National Second Division, but rather to reflect the discussions that have taken place and consolidate a vast body of work that has already been done.

The issues raised, and recommendations contained in this White Paper are not to be considered in isolation. They are intended to be read in the light of the recommendations of the New Leagues Working Group and to complement FFA's long term strategic vision contained in its "Whole of Football Plan".¹

1.2 THE WHOLE OF FOOTBALL PLAN AND FFA'S STRATEGY

The Whole of Football Plan (**WOFP**) was developed in 2015 and provides an ambitious vision for what football will look like in Australia in 2035. Integral within the WOFP is the sense of football having a unity of purpose. It also outlines the ambitious plans to double the football community to 15 million people, including doubling the number of participants to 4 million. It emphasises the need for fan connection, including having 75% of junior participants following a top tier Australian club.

Player development and providing a platform for the future success of our National Teams is pivotal. Australia needs to increase the number of elite youth players in



¹ FFA, Whole of Football Plan, 2015

world class development environments. The aim is to have a combined pool of 3,000 male and female players from 12 to 19 years of age receiving this level of development.

For this to be successfully delivered, not only do players need to be developed from a junior age, but they must also be afforded opportunities to play at the highest levels and develop as mature players.

The WOPF outlines the need to celebrate our history and establish a strong connection between football's past and present in Australia. The need for football stakeholders to align their efforts on the same goals for the common good is part of the WOPF but is yet to be reality.

FFA has a new Technical Director who recently joined the organisation, and in mid 2019 FFA will develop a new strategy for the next four years. The contents of this white paper will be considered as part of the development of this strategy, along with the technical direction of the FFA.

1.3 ASPIRATIONS FOR THE FUTURE

For football to achieve the objectives of the WOPF and to reach its potential, all stakeholders need to be aligned on a single vision for what a National Second Division would look like. There is general consensus between the AAFC, PFA and FFA that a National Second Division would be a significant step forward for football. However, aspiration needs to be balanced with realism – including the current economic environment and the realities of the sports media and sponsorship market.

The aspiration for a system that parallels global leaders needs to be balanced with the resources currently available to football in Australia. In order to prepare the next generation of National Team representatives, a National Second Division concept should not be developed in isolation to the rest of the football ecosystem. This includes the existing National Premier Leagues (**NPL**), Foxtel Y-League (**FYL**), Hyundai A-League (**HAL**) and Westfield W-League (**WWL**).

1.4 WOMEN'S FOOTBALL

As set out in the WOPF, Women's Football should not be viewed in isolation but instead form a critical consideration across every part of the Football Ecosystem. However, for the purposes of this White Paper, the focus will be on a National Second Division for the men's game. The Working Group considers a National Second Division for the women's game to not be a viable economic proposition in the short to medium term. The consensus is that other priorities should be the focus right now for elite women's football.

The strength of the WWL must be consolidated and built upon as a first step. Strategic priorities include expansion of the WWL (including all Australian HAL clubs to have a WWL side) and movement to a full home and away WWL season.

But this is not to say that the objective of a National Second Division for women's football should be ignored. In addition to development of the WWL, there is a dual priority to develop NPL Women's (**NPLW**) competitions to a greater scale and higher standard. Not all states and territories are operating NPLW competitions and this should become a greater focus in order to ensure that development occurs at multiple levels of the female football pyramid.

To that end it is strongly recommended that in whatever governance structure that is ultimately established for the management of the National Second Division, the issue of the timing for a National Second Division for women's football be a standing policy/agenda item for periodic review in the first three years of the National Second Division's life.

The Working Group recommends that a dedicated review into the feasibility of a women's National Second Division should take place in 2022 to consider launching a women's National Second Division from as early as 2023 (which may coincide with the possible hosting of a FIFA Women's World Cup in Australia).

2. OBJECTIVES OF THE NATIONAL SECOND DIVISION

2.1 CONNECT THE GAME

As Australia's largest sport, there are more people playing the game than ever before. Community football is thriving and will continue to grow with Australia's population. Despite this, the opportunities for Australian players to play professionally are limited within Australia. The HAL does not sufficiently activate, nor provide pathways, within all of Australia's major population centres. However, within many parts of Australia, there is existing interest and passion for football that is currently underrepresented.

A National Second Division would provide an opportunity for football to broaden its reach to be a truly national game. It also has the potential to build a bridge between state-based leagues and the HAL and WWL and heal some divisions that have held the game back. Over the last 15 years, football has made great progress, however there remain strong elements within football that feel marginalised. For Australian football to reach its potential, all elements of the game must pull in a single direction.

2.2 ENABLE AUSTRALIA TO REMAIN INTERNATIONALLY COMPETITIVE

For Australia to remain competitive internationally, it must build a pipeline of professional players that are able to progress and grow in Australia. In Asia, many countries have closed the gap on Australia. For the top of the pyramid to be successful internationally, its professional footprint needs to grow. With the possibility of more foreign players being introduced into the top tiers of Australian domestic football, providing a pathway for Australian players is vitally important to enable National Teams of the future to be successful. A National Second Division could enhance that pathway.

2.3 CREATE DEPTH AND PROVIDE NEW TALENT PATHWAYS

Creating and growing a new pool of Australian talent available for both HAL and National Teams is crucial. Compared to the levels of professionalism found in second tiers around the world, Australia has some way to go to catch up. This includes incubating new





pathways for Australian players, coaches, referees and support staff into fully professional football. A National Second Division has the opportunity to create greater depth of fans around the country – by reaching new markets, be they geographic or demographic in nature.

2.4 IMPROVE FOOTBALL PROFESSIONALISM AND INDUSTRY STANDARDS

The current bridge in standards between the NPL and HAL is too large. There is room for a National Second Division to help bridge this gap in professionalism and high standards. A pathway between the NPL and HAL is required for players, coaches, referees and administrators that ensures that Australian talent does not need to leave Australia to develop. Effective regulation and maintenance of standards are essential to ensuring that issues such as threats to integrity are managed professionally, and ensuring that clubs below the top tier of football are implementing appropriate contractual arrangements and working conditions for their staff is a priority.

2.5 UNLOCK MARKET OPPORTUNITY FOR INVESTMENT IN AUSTRALIAN FOOTBALL

A National Second Division should aim to unlock new markets of fans, along with new capital that is prepared to invest into the game. Investment can come in many forms, including academies and technical pathways, as well as appropriate stadiums and high performance facilities. Investment can come from many sources also, including both private capital and government funding. Unlocking this investment will be crucial to enable Australian football to grow and compete with other Australian codes that are currently ahead of football in some of these areas.

2.6 CREATE A SUSTAINABLE COMPETITION THAT SUPPORTS AND CHALLENGES THE HYUNDAI A-LEAGUE

A strong and sustainable national second division competition is required to create competitive tension with HAL, reward achievement, drive higher standards and to recognise ambition while supporting the top tier of Australian football. For promotion and relegation to be an intrinsic feature of the Australian football ecosystem, and to be a viable option in the medium term, a strong and sustainable National Second Division is required to provide clubs playing at a high standard that can reasonably challenge those in the tier above.

3. SUMMARY OF THE CURRENT AUSTRALIAN FOOTBALL ECOSYSTEM

3.1 HYUNDAI A-LEAGUE

HAL has been successful over time in bringing significant revenues into the game of football. In 2016, FFA signed a record 6 year \$346m broadcast deal with Fox Sports Australia (**FSA**). HAL club revenues continue to grow at around 5-10% year on year on average.

In line with the FIFPro research on the categorisation of clubs around the world, PFA describes the existing HAL as a legitimate “Tier 2 league” that is in-line with the J.League or Major League Soccer (**MLS**). However, on average club revenues are lower than these other countries, where populations and markets are larger.

HAL is a national competition for the most part, but it does not yet reach all parts of the country or all football fans. Major population centres contain teams, however some smaller cities do not. In some cases, HAL teams have lasted in smaller cities for only a short time due to the requirements to operate a HAL club. As a result of this, there are parts of the country (both geographic and demographic) that are not currently fans of a HAL team.

In addition to this, there are a number of challenges for HAL and WWL, which are operating in a more highly competitive sporting marketplace. The changing media landscape and broader media market dynamics need to be considered in terms of their impact (both challenges and opportunities) on a National Second Division.

3.2 NATIONAL PREMIER LEAGUE

According to the PFA², the current NPL model is likely to be characterised in accordance with the FIFPro research as a “Third Tier” competition.

Unlike in many other parts of the world, the current state based second division is regional and therefore does not allow for top teams and talent to have regular competition against the top teams around the country. While the FFA Cup has provided certain levels of competition, it is infrequent.

It is the view of the PFA that the current state of NPL performance models is insufficient to achieve the objective of a proper National Second Division. The conditioning required for young players to take the step up into HAL is a challenge and there is also a significant gulf between the levels of medical and sports science being delivered at NPL level compared to HAL.

Players playing within the NPL are at best semi-professional and must currently balance the demands of full time or part time work with increasing playing and training loads. This can mean that there are many talented young players who make the choice not to pursue a full time career in football to focus on their personal lives and careers. This story is not a new one for many sportspeople, including many Olympians. However, unlike many other sports, Sport AUS or government grants have been less likely to be available for football. Solutions need to be found to facilitate the development of football as a professional career for young players.

3.3 GRASSROOTS CONNECTION

Over the last 15 years Australian football’s grassroots have boomed. There are now over 1.8m people participating in football.³ However, as both a participant and fan, proximity to academies, training grounds and stadia can be challenging.

Connecting the grassroots with professional Australian football clubs is a vital part of FFA’s strategy to “connect participants to fans”. It also represents a significant opportunity for Australian football to build future generations of fans.

At a grassroots level, the NPL connects local teams with local pathways. NPL provides the conduit for Australian kids to connect with football on a personal and local level. Currently, HAL has further work to do in achieving this connectedness. Many clubs in the NPL also bring rich histories that extend back to the most successful days of the National Soccer League (**NSL**).

² PFA, *Club business plan for second tier competition, 2018*.

³ FFA, *National Participation Census, 2018*

3.4 CURRENT PLAYING PATHWAYS

As HAL has grown and evolved, it is failing to provide a sufficient pathway for Australian players into professional football.

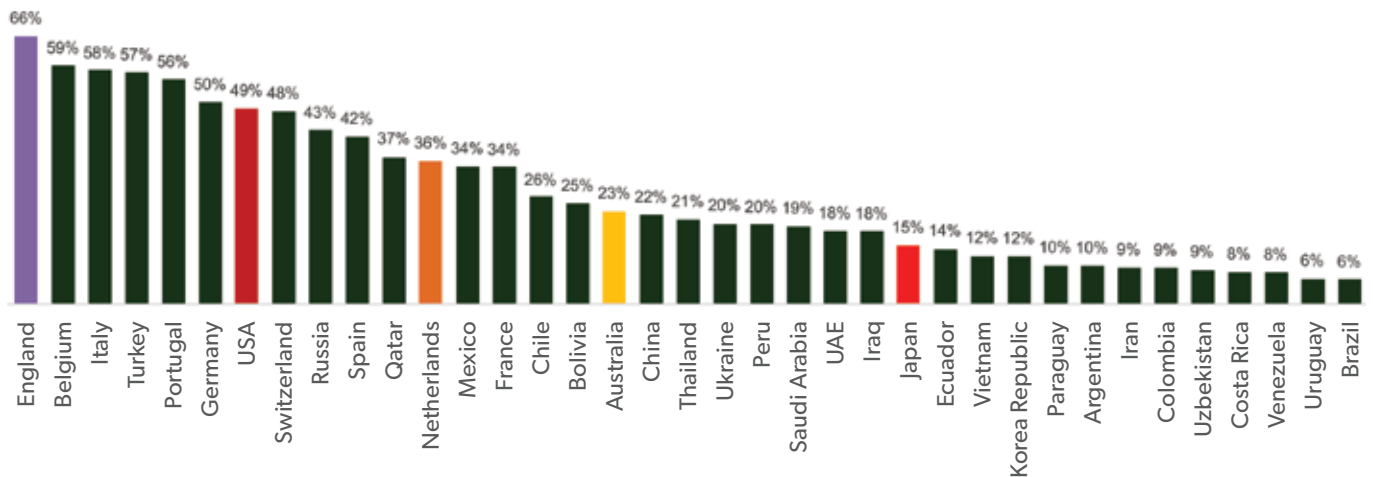
The number of foreigners in Australian football is around 23%. This is slightly below a global average for selected nations of 27%. A key issue that Australia faces is that unlike other countries, where multiple divisions allow for higher number of foreigners, it currently only has one division. As such, in countries such as England where the number of foreigners is

66% of the total playing pool, there are up to five divisions playing professionally.

While increasing foreign players to five may help improve the standard of play, it reduces the number of opportunities available to Australians. Between 2015 to 2018, around 74-77% of HAL players were Australian. However, within this cohort, there were many players who were ineligible to represent the Socceroos as they had represented other nations.

In Australia, there are around 230 (male) fully professional players, of which, at least 50 could be ineligible for Australia in any given season. While the number of Australians will increase with the introduction of a 12 team league, player depth is likely to remain an issue.

Figure 1: Foreign players by country, benchmark



Source: CIES, 2016

The average foreign player in the HAL is paid 210% more than the average HAL player wage. As such, while the quality of the play may improve, increasing the number of foreign players within HAL could have the effect of reducing Australian pathways and creating higher costs for clubs. The case is so often made that young players found it easier to get playing time in the late 1990's than they do today. This is the case despite the HAL generating collective revenues of over \$200m (clubs and league) and having full professionalism at all clubs.

Moreover, the impact of foreign players is significant in specific areas. In most HAL clubs, foreigners are likely to play in attacking positions, including strikers. Those young Australian strikers that are afforded an opportunity are often expected to immediately perform and at the levels that a seasoned foreigner would otherwise. The shortage of Australian strikers is a factor that is starting to impact the results of the Socceroos.

3.5 MATCH MINUTES WITHIN PATHWAYS STRUCTURES

“The key issue is talented players must play as much as possible in adult leagues. There is a highly positive correlation between matches played between 18 and 21 in professional leagues (irrespective of the level) and future career path.”

RAFFAELE POLI

Head of the CIES Football Observatory

With Australian football moving to a decentralised pathway led by HAL and NPL clubs, providing playing opportunities at a high level will be a critical part of youth development.



Although these recent changes to the academy based system are likely to produce more, high quality players coming through HAL and NPL clubs, the challenge will remain for these players to play regularly.

According to PFA research, the current pathway has a number of issues that need to be addressed for Australian football to progress.⁴ Namely:

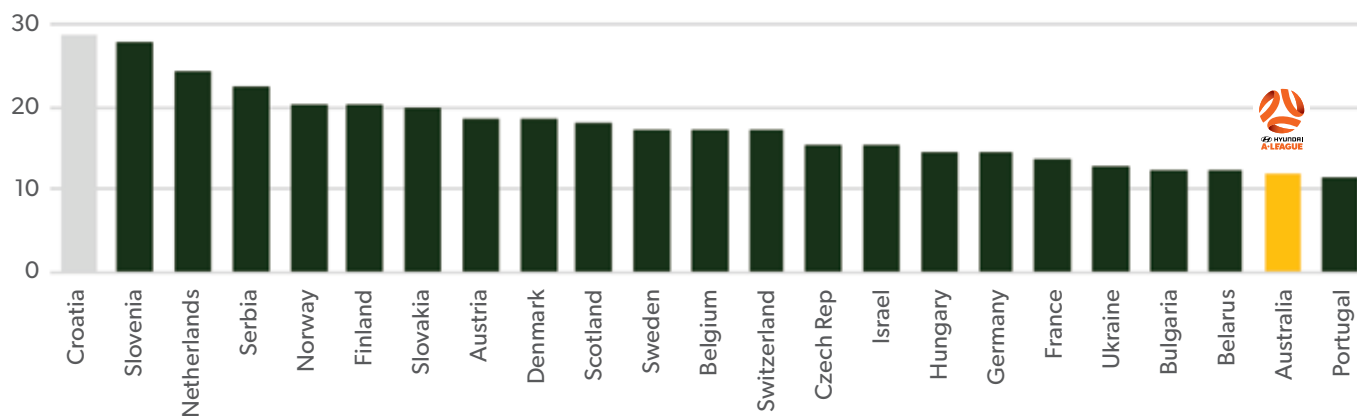
- Australia is failing to build a critical mass of players who are playing matches between the ages of 18 and 21; and
- Australia’s record at under age level – across men and

women – is poor with only four qualifications out of 20 attempts since 2010 and no qualification since 2015.

HAL is failing to provide match minutes for players 21 or under compared to leading development leagues, which has a flow on effect into other parts of the football ecosystem. This is demonstrated by the chart below.

As a professional player, the inability to play top level football restricts their ability to progress to the next level. This may include playing in HAL or progressing to playing in top leagues outside Australia. The impact of this is observed within the Olyroos and Young Socceroos.

Figure 2: Match minutes for players 21 or under compared to leading development leagues



Source: PFA

⁴ Club business plan for second tier competition, Professional Footballers Australia, 2019

4. IMPROVING PLAYER PATHWAYS

4.1 BUILDING GREATER OPPORTUNITIES FOR YOUNG PLAYERS

A National Second Division should aim to provide new pathways for young Australian players. With more kids playing the game than ever before, there is great potential to tap into a vast talent pool. In order to tap into this talent pool, it must be grown using young Australian players that are eligible to represent Australia in the future. Young Australian players could come from existing HAL clubs, academies or NPL clubs.

A National Second Division should ensure that this gap between NPL and HAL is improved and provides better opportunities for young Australians to play high quality, professional football. This could mean that consideration of minimum requirements for the number of minutes played, or under age players within a match day squad, may be requirements of a National Second Division.

The mix of youth and adults in the league should also be considered to ensure that young Australian's are getting exposure to adult competition at a young, yet appropriate age. A National Second Division should not be a retirement league for former HAL players and



a National Second Division design should consider having age based targets in mind, including within a match day squad. For example, there could be a requirement to have three (3) to six (6) junior age Australian players.

This type of format would provide greater opportunities for young Australians to grow and develop. It is also important to note that for these young players to develop, they need exposure to adult leagues and standards. As such, an age requirement as outlined above would still provide sufficient room within a squad for established professionals and mature players. These players would help with the development of the younger players in terms of professional standards and mentality.

4.2 A LARGER POOL OF FULLY PROFESSIONAL PLAYERS

Currently, NPL players have a mix of amateur and semi-professional players. HAL clubs and academies also have contracted scholarship players and young Australian players within their HAL squads.

The overall aim of the National Second Division should be to have a group of Australian players that are fully professional. However, this could consider being professional throughout the course of a year, but generating their income from multiple teams/sources across NPL, HAL and National Second Division using either loan agreements or separate contracts. Given the limited resources available to it, the early stages of a National Second Division should embrace a flexible approach to professional contracting. This scenario follows a similar pattern to women's football, whereby top players earn a decent living from multiple competitions around the world.

A National Second Division should pool talent from multiple sources to ensure that football is using limited capital in an efficient way.

To enable this, it could include establishing loans and contracts in either of the following ways:

- Loans to/from HAL academies and NPL clubs; and
- Feeder relationships between existing HAL clubs and National Second Division clubs.

If an NPL club was also a National Second Division club, a single professional playing contract could be in place that covers playing in both the NPL and the National Second Division.

4.3 GREATER POTENTIAL TO TAP IN TO REVENUE FROM TRANSFER FEES

There is a significant opportunity for Australian football to become a net recipient of offshore transfer fees. Such fees can provide Australian football with valuable revenues from other countries, where the football economy is far more significant than in Australia.

In 2018, HAL generated record levels of transfer revenues of over \$7m. Aaron Mooy's transfer is a great example of the significant value that can be "unlocked" within a short space of time in Europe. Undoubtedly, this will continue to grow as the full effect of academies come to fruition, and more young Australian players are developed. Such inbound revenues can underwrite future Australian development activities and provide more football opportunities and better pathways for Australian talent.

However, as it currently stands, the pathways for the young Australian talent being produced is somewhat limited. Young players that are developed in the NPL and HAL academies often lack opportunities to play, develop and grow at higher levels. A National Second Division should provide that opportunity.

In order for Australia to become an exporter of talent, it needs to be producing talent. This requires the growth of pathways and more playing opportunities for young Australians.

5. MARKET ANALYSIS

5.1 HYUNDAI A-LEAGUE EXPANSION

Any National Second Division must take into account the specific features of the Australian market. In 2017, FFA undertook research that aimed to understand the feasibility of expanding the HAL. The objective of this research was to size markets for the first phases of expansion, as well as future expansion phases for the league. This work is also relevant and useful to draw upon when considering a National Second Division and is summarised below.

Market Sizing

Noting the strategy of FFA (2016-19) is to “connect more fans with football in Australia”, the approach FFA took included using club-based participants, as well as the size of the population in the local area as a key metric for consideration. In addition to this, TV viewership numbers were also overlaid as a key platform of success given they are a driver of future broadcast revenues, which in turn are critical for funding the game. These metrics were combined to provide a market sizing for numerous catchments. This approach highlighted that there were up to 10 catchments that could hypothetically sustain a new HAL club now or in the future.

In addition to this, the HAL research also identified that there are a number of markets that have large participation bases, or reasonably sized populations, that could feasibly support a small HAL team further into the future, as they grow. Alternatively, FFA concluded, those areas could be part of a National Second Division.

5.2 IMPLICATIONS FOR A NATIONAL SECOND DIVISION

In 2018, 15 expressions of interest were received for a licence to compete in HAL, including very impressive submissions from a number of groups who were ultimately unsuccessful. Some of these submissions came from existing NPL clubs as well as new groups forming.

The HAL expansion process identified a number of bids that would be interested in a future National Second Division. The process also identified:

- A number of investors who may be willing to invest in a National Second Division;
- Strong community support in some areas, including strong local press coverage for various bids;

- The importance of community engagement for any club;
- Strong stadium options that could be ideal for a National Second Division in a number of instances; and
- The ideal governance setup for new professional clubs as not being reliant upon a single owner, or one that is not invested in the local community.

The quality of the bids was mostly strong, suggesting that there could be some existing NPL clubs and new teams that could feasibly step up to the standards required to deliver a National Second Division at a higher standard than the current NPL.

5.3 KEY GEOGRAPHIC AND DEMOGRAPHIC MARKETS

Within the work undertaken by FFA to date, it is clear that there are a number of geographic areas that may not be sufficiently large enough to sustain a HAL team to the levels that the existing teams currently operate. Within the current HAL model, a divide has emerged between the larger cities and the smaller regional markets, largely due to the prevalence of derbies. A National Second Division could feasibly capture smaller cities that are not currently represented by elite professional football clubs. In doing so, they could incubate interest in football in these areas and convert more people into local football fans. In time, these markets could be competitive with the smaller teams in HAL, naturally leading to a discussion about a promotion-relegation from a National Second Division.

It is also possible that teams within a National Second Division could tap into new and old demographics. Notably, many football fans who may have been previously connected to the NSL or NPL, but who are not currently connected to the top tier of Australian football. It is possible that connecting with these parts of the game could also help reconnect with elements of football’s rich history.

5.4 CURRENT MEDIA LANDSCAPE

It is also relevant to consider the impact that the current media landscape may have on the development of a National Second Division. The broadcast market is more fragmented than it has ever been before. Traditional television viewing has increasingly been disrupted by



the emergence of video on demand (VOD), broadcast video on demand (BVOD) and streaming.

The market is facing unprecedented pressure from changing consumption habits. These include, but are not limited to social media and video on demand services. In response to the emergence of over the top streaming services, Fox Sports has recently moved towards a streaming platform, Kayo, coupled with its existing product, Foxtel Now.

Streaming

As consumer trends are changing, OTT and streaming platforms via social media channels is beginning to emerge as a realistic platform for sports. Online and social media players Facebook and Amazon have indicated that they are interested in pursuing sports

rights in the future. However, they are currently engaged in pursuing large 'loss leading' products to be integrated into their bundles of rights. Optus has pursued the English Premier League for a substantial rights fee, which forms part of their penetration into the mobile customer market.

Considerations for a National Second Division

A national second division structure should consider how best it would be bundled with HAL content to maximise the potential size of the audience over time. Any further analysis of the National Second Division should consider this product mix, including the potential markets that it would seek to enter (both geographic and demographic) to maximise the potential footprint for football.

6. LEARNINGS FROM OTHER LEAGUES

Australia can learn from how other countries and competitions, although it should also consider the unique Australian factors. There are many models to consider in relation to a National Second Division. Three structures have been reviewed in further detail along with a review of the Australian landscape as it relates to other football codes.

6.1 UNITED STATES: UNITED SOCCER LEAGUE

The US top tier of football, MLS operates as a 'closed tier' in a similar way to HAL. Until 2017, the United Soccer League (**USL**) competed with the North American Soccer League to be the pre-eminent national second division in the USA. The USL has a number of interesting features:⁵

- Small to medium sized markets with average ground capacity of 5,000 to 10,000;
- Promotion into the MLS from the USL has occurred on a number of occasions, including Orlando City SC in 2015;
- The USL has a centralised digital platform and a production company, USL Productions. This production company was part of a \$10m investment from USL and produces all 480 games and over 1,000 hours of original content for USL fans. USL is primarily a streamed service which aims to provide its league final on linear television; and
- Given the high number of clubs that are either directly owned by MLS teams or have affiliations, loans between the USL and MLS are significant.

In addition, the USL is required to meet set guidelines in order for the United States Soccer Federation to sanction their league. These restrictions include the following:⁵

- League performance bonds in place of \$750,000 to \$15 million;
- Teams located in at least two time zones;
- A minimum of 10 teams by year three (3) and 12 teams by year six (6);
- All league stadiums with a minimum capacity of 5,000;
- 75% of the league's teams must be in US metropolitan markets of at least 750k population; and

- Each team must have the ability to operate a team for five (5) years and a principal owner (controlling interest of greater than 35%) with a net worth of at least \$20 million.

6.2 JAPAN: J2 LEAGUE

The Japanese J.League structure includes promotion and relegation from the J.League to the J2 League and J3 League. Unlike in Europe, the J2 League was only professionalised in 1999 with 10 clubs forming the initial J2 League. The former second tier, the Japan Football League, became the third tier. There are a number of interesting aspects⁶, including:

- Licensing requirements include a club's financial wellbeing, competitive strength, attendance, player development and any other factors that the J.League consider necessary; and
- Clubs that fail to adhere to the strict licensing requirements may also be relegated to the third tier, J3 League.

Entry requirements to enter the J3 (and above) includes:

- A minimum average attendance of 2,000, endeavouring to increase to 3,000;
- Reasonable expectation of earning JPY 150m (A\$1.99m) revenues;
- No 'net capital deficiency';
- Placed 4th or better in the Japan Football League; and
- J.League clubs must have a majority of shareholder voting rights held by Japanese citizens, or public interest incorporated associations.

6.3 NETHERLANDS: EERST DIVISIE

The Dutch Eerst divisie is the second division below the Eredivisie (top tier) and above the third tier, which is largely amateur. Like many European leagues, there is promotion and relegation. The Eerst division consists of 20 clubs, including four reserve teams for a number of the larger Eredivisie teams (PSV, Ajax, Utrecht and AZ Alkmaar). Reserve teams cannot be promoted into the Eredivisie.

⁵ United States Soccer Federation Professional League Standards, General Requirements for All Professional Leagues 2014

⁶ Japan Professional Football League, J.League Statutes, 2017

The average attendance is lower due to the presence of Eredivisie youth reserve teams, who often play to very small crowds at academy grounds. Having these reserve teams playing regularly allows the top Eredivisie to call up players that have match fitness and experience gathered within their reserve teams.

The Dutch system is also similar in nature to the Portuguese and Spanish second/third divisions which contain reserve sides for clubs in the top divisions.

6.4 AUSTRALIA: RUGBY, AFL AND NRL

Major football codes in Australia have varying models in relation to their second tiers although only Rugby has

a fully national second division. Like football, Rugby faces international competition with its main rivals (New Zealand, South Africa and England) all having significantly greater player depth via their own established second division competitions. Following a similar debate to that which football finds itself in now, Rugby established the National Rugby Championship (**NRC**) in 2014.⁷ The NRC does not currently have a naming rights sponsor and is believed to be underwritten by Rugby AU as part of its technical pathways.

The NRC has provided a technical pathway that built a bridge between state based competitions and the Super Rugby. In this competition, there is a combination of teams, many of whom are supported by their state federations, and some are based on consortiums of existing clubs within the state based leagues.

Figure 4: Summary of Australian football codes – key metrics

	RUGBY	NRL	AFL
Global marketplace	Yes	No	No
National Second Division	National Rugby Championship (NRC)	NSW & QLD state cups	Discussing 2022
Teams	8 teams including a Fijian team	13 - NSW & 14 - QLD	10 each in NEAFL, SAFL, WAFL, 15 - VFL & 7 in TSL
Broadcaster	Fox Sports/Bar TV	Fox Sports	Fox Sports
Licensees	Majority by state associations		AFL clubs & State Federations/clubs
Window	After Super Rugby	Aligns with NRL	Aligns with AFL
Notes	Fiji team is partly funded by Fiji Rugby Union & IRB		

NRC teams have a mix of local development players, club based players as well as players that are already playing professionally with a Super Rugby club. The competition includes 8 teams (formerly 9) over a 10 week period that runs in an abbreviated window after state based leagues and Super Rugby have finished.

The competition had a single apparel sponsor, Asics for its first two (2) seasons along with a naming rights sponsor, Buildcorp for three (3) seasons. Fox Sports televises two (2) matches per week, and will do so until 2020. All other matches are broadcast live via the Rugby AU website. The NRC does not currently have a naming rights sponsor and is believed to be underwritten by Rugby AU as part of its technical pathways.

⁷ FFA interviews and analysis

A predecessor of this competition, the Australian Rugby Championship, ran for only one season in 2007. The Australian Rugby Union (**ARU**), former name given to Rugby AU, paid broadcaster ABC to televise 19 matches, and the competition eventually lost the ARU \$4.7m in one year. It proved unsustainable and was discontinued.

Both the AFL and NRL do not have national second divisions, however there are suggestions that the AFL is considering this approach for 2022. The AFL do have a hybrid system of state based competitions that includes the North East AFL that includes the ACT, NSW, Northern Territory and Queensland that allows top talent from smaller states to play against one another.

7. COMPETITION STRUCTURE

7.1 NUMBER AND SELECTION OF CLUBS

There are a number of options available for a National Second Division. Consideration needs to be given to the uniqueness of the Australian sporting landscape and the need to not just reflect but indeed continue to nourish the national footprint of our game, which is its great comparative advantage to the other football codes.

A National Second Division should provide a five (5) year “runway” to incubate new teams. These teams could then form part of the future expansion process for HAL.

Consideration should be provided to including the existing Y-League, HAL academy and squad players within a national second division. In this way, the best talent should be playing regularly. Moreover, many of these players are already contracted, potentially underwriting the costs of the National Second Division.

A National Second Division should identify large geographic areas (including cities and towns) that do not currently have professional football teams. Where there is significant interest in football or a large participant base, thought should be given to including such geographic areas in the National Second Division.

A plan should be developed to ensure that all National Second Division teams have a women’s team participating at the highest level possible within local competitions. Over time, this should aim to evolve into a National Second Division for women.

7.2 SEASON TIMEFRAME

There are a number of considerations regarding the season timeframe that require further analysis alongside the review of the NPL structure in all states. A number of options should be considered:

- A winter season which does not conflict with HAL, and provides a winter offering for football fans. This could also coincide with the regular grassroots season enabling connection with the grassroots football community and to work on converting them into fans;
- An abbreviated season (10-16 weeks) that is played on the shoulder season of either the NPL or HAL;
- A full or partial season that runs in parallel with HAL and WWL; or
- A combination/hybrid of any of the above.

Each option should be assessed taking into account the broadcast parameters, as well as in conjunction with a review of the NPL and Y-League structure and contracting framework to be put in place. The FFA Technical Director should be consulted on all of the above.

7.3 PLAYER ROSTERS

The size and composition of playing rosters would be determined based on the financial parameters of the National Second Division to provide clubs with the best chance of being financially sustainable. The following matters should be considered:

- Role of existing NPL players and player payments;
- Ability to use existing contracted HAL players in the National Second Division via inter-league loans;
- Final number of teams included in the competition; and
- Ability of incoming clubs to achieve minimum standards while being financially sustainable.

Directionally, player rosters could include the following in a match day starting line-up:

- Minimum of 2-3 U21 Australian players;
- Minimum of 2-3 U23 Australian players; and
- Maximum of two (2) foreign players.

Coaching should be primarily focused on advancing Australian opportunities and improving standards, namely:

- Coaches should have a minimum level of having a UEFA/AFC/FFA A-Licence; and
- Coaches that are Australian, or that have been working in the Australian system for four (4) years or more.

7.4 REGULATION OF THE LEAGUE

It would likely be appropriate that FFA coordinates and runs the National Second Division for a period of time. This is the most risk averse approach given the existing experience that the FFA has in running competitions including the A-League, W-League and the FFA Cup.

Alternatively, a third party could operate and own the National Second Division. To attain the official sanctioning of FFA, it may be required to demonstrate the following (for example):

- Minimum 75% of clubs in cities with a population catchment of over 250,000;
- A plan to see a minimum of 75% of clubs reaching 3,000 average attendance by year three (3). In the event that a club is not achieving an average of 2,000, it would be required to provide a plan to achieve above that level; and
- Solvency of the league operations, with sufficient levels of working capital and paid up capital.

7.5 FACILITIES

Any future competitions in Australia should give due consideration to what is an 'ideal' stadium for football. Currently, HAL has the issue of achieving around 41% stadium utilisation. This compares to big leagues, where up to 98% stadium utilisation is achieved.⁸

In order to incubate clubs that would have the best chance to adding to the vibrancy of the HAL competition in the future, stadiums should be prioritised for consideration in any process to choose teams for a National Second Division. FFA's current view of the ideal stadiums to be used for the A-League in the future is between 15,000 to 20,000 capacity. A National Second Division should consider smaller stadiums that provide an intimate experience for fans.

National Second Division clubs would be required to have sufficient capacity to deliver professional high performance and training standards. As such, the National Second Division would be required to provide minimum standards for training facilities. While this may not initially be at the levels that would be expected of HAL clubs, it is expected that the league would progress to these standards over time.

7.6 PROMOTION AND RELEGATION

There is little doubt, the issue of promotion and relegation is one of the most challenging issues for the introduction of a National Second Division. Counterbalancing a system of meritocracy are the realities of challenging economics and the existing licensing framework which HAL clubs are operating under - which has provided participants with a closed model at the highest level of club competition in this country. The issue, therefore is not a simple one nor is there likely to be a universal merit based model that will satisfy every stakeholder in the game.

But if a second tier competition in the purist form is the objective - one that not only opens up a new pathway for talented footballers but also unambiguously differentiates our game from other football codes - then a system of promotion and relegation needs to be embraced by all.

National Second Division clubs would need time to prepare for the "step up" that would be required at all operating and financial levels if they are to aspire to competing in the highest tier of club football in the country.

To that end the preferred methodology moving forward could be as follows:

Phase 1: Incubation (0-5 years)

In the first instance the National Second Division would aim to incubate clubs in preparation for them being eligible to be considered for the next wave of expansion (promotion) for HAL.

This approach would also allow clubs to work incrementally towards business and football benchmarks closer to tier one expectations and mitigate the chances of clubs "crashing and burning" in the hasty pursuit of glory.

A five (5) year period is also likely to be required to allow for the piloting and stabilisation of the National Second Division competition. This period also allows for the two (2) new HAL clubs to embed themselves and grow their own footprint. This would take both competitions into the new broadcast cycle. No promotion and relegation would apply between NPL 1 and National Second Division during this incubation period.

A two year period is required to establish the league and allow National Second Division clubs to raise standards, contract players and establish club footprints. Following an initial two year period, National Second Division should consider admitting new teams into an expanded National Second Division competition. This expansion process should consider promotion from the level below.

Phase 2: Promotion and relegation (5-10 years)

The objective is to synchronise promotion and relegation at year five (5) between NPL 1 and the National Second Division and between the National Second Division and HAL at the appropriate point during this second window.

Recognising that any National Second Division will still be in its (relative) infancy, it is likely that the criteria for promotion from the National Second Division to HAL will need to take into account a range of criteria beyond simply winning the National Second Division championship. What this non-football criteria should be needs to be the result of a collaborative design between the FFA, National Second Division stakeholders and HAL Clubs.

⁸ FFA, 2016/17 season analysis

8. GOVERNANCE

8.1 OPTIONS AND PREFERRED MODEL

There are a number of options available to FFA and its stakeholders in regards to the corporate structure of a National Second Division:

1. FFA Business Unit

Consideration that FFA would run and operate the league as a national competition is a reasonable starting point. FFA has the experience and expertise to sufficiently run a national leagues competition – including the ability and experience in securing sponsorship and broadcast deals. This option could afford the National Second Division with a “safety net” to operate within as it establishes and provides strategic alignment between technical pathways and other parts of the football ecosystem. There are also clear cost synergies with this approach. It is likely to mitigate the risk of tax leakage and could assist in efforts to lobby government. In addition, FFA would be able to assist in marketing efforts to convert participants to fans via its existing platforms.

2. Sanctioned League

Operating a National Second Division as a sanctioned league outside of FFA and HAL could provide a

dedicated focus on the operations of the league and allow the league to be run by its members. This would mitigate friction associated with FFA setting strategy and direction of the league, including its approach to management.

This approach is unlikely to deliver the operational economies of scale in the start-up phases of a National Second Division. Setting up from scratch would be required, in terms of personnel and start-up capital.

3. Leagues operated independently

A third option could see a National Second Division operate within any new league company structure that runs the HAL. This structure exists in Japan, where the J-League operates all three top tier divisions. The Japan Football Association (JFA) owns a stake in the J-League entity and also enforces reasonably strict requirements upon the J-League and its clubs. These include specific provisions in relation to the size and quality of clubs, as well as foreign investment.

Prior to considering integrating a National Second Division with an independent league, it is the Working Group’s view that a National Second Division would be required to be established and run as option 1 in the short to medium term.



9. CLUB LICENSING FRAMEWORK

In order to meet the requirements to deliver a quality product and quality football outcome, minimum standards would need to be built into club licensing to ensure that the National Second Division delivers to a sufficient standard. The following is an example of the types of requirements that a National Second Division might be expected to have in place:

1. Club requirements

May include the following:

- Vision and strategy;
- Football Infrastructure;
- Community engagement model;
- Match day model;
- Business plan;
- Organisational structure;

Club requirements would need to consider the AFC and FFA Club Licensing regulations.

As a general principle, a club may be required to commit to a board composition that embraces the 40-40-20 goal for gender representation.

2. Professional football standards

May include the following:

- Performance standards – medical, coaching and facilities standards;
- Performance and Technical Model – analysis, coaching and sports science;
- Player Development – education, wellbeing and integrity;
- Employment Framework – full time and is likely to include a salary cap.



10. FINANCIAL SUSTAINABILITY

10.1 START-UP CAPITAL

To pursue a professional National Second Division, access to sufficient start-up capital is likely to be significant and could contribute to a range of new league related costs. It would be the intention to run a lean, cost effective operation. Clubs would be required to have sufficient working capital as well as paid up capital. It is envisaged that sustainable clubs should consider the following:

- Community ownership models;
- Broad governance structures with multiple owners/benefactors;
- One single owner/benefactor with the ability to capitalise the club on an ongoing basis.

10.2 ONGOING OPERATIONS

In order to fund a sustainable club, the following has been outlined by the AAFC and PFA:

- AAFC research suggests that a club would require an annual budget of \$2.5m, including an annual licence fee of \$150,000 paid to the league. This would cover

a salary cap of \$1 million initially across two squads (mens and womens) as well as club operational costs.

- PFA research suggests that a budget (excluding Women's football which is additional) would total \$5.4m.

FFA is of the view that the commercial parameters of a National Second Division should be determined by the commercial model that it can deliver. A commercial model should consider working with revenues that are achievable by a National Second Division and its clubs. This should not put existing competitions and structures at risk.

The Working group is generally supportive of a fully professional league, however financial sustainability is also a pre-requisite and may result in some flexibility in the early formation of the National Second Division.

The final commercial model should consider the following:

- Broadcast and sponsorship revenues;
- Season timing and length;
- Number of clubs;
- Ability to integrate with existing HAL, Y-League and NPL structures to maximise the use of finite resources.



11. COMMERCIAL OPPORTUNITY

11.1 CENTRALISED ASSETS

Centrally delivering a number of services is likely to lower the cost of delivery and maximise potential revenues in the early years. It is possible that in the early seasons of a National Second Division, a number of assets could be centrally coordinated to generate the best returns for the league and ensure its viability. This would be particularly important until such time as clubs have sufficient commercial resources and structures to be able to deliver sponsorships. A hybrid opt-in commercial model could be considered for the sale of inventory that is unsold at a point in time.

11.2 BROADCAST REVENUE

Linear TV

Irrespective of whether the competition is controlled by FFA or otherwise, a commercial discussion would be required with Fox Sports Australia to ascertain their appetite for more content.

A stable broadcasting arrangement would be crucial to provide exposure for sponsors and potentially bringing in revenues for a National Second Division. Given the challenges within the current media market, it is the Working Group's view that any substantial broadcast deal for a National Second Division would be a longer term objective. This is a major factor in the future sustainability of the National Second Division and as a result it would be prudent to consider the implications for club budgets.

Streaming

In addition to subscription and free-to-air television broadcasts, an OTT/streaming option should be investigated. Namely, as is currently in operation for some NPL competitions, a streamed service via social media or apps should carry all matches that are not provided on a linear broadcast. While this increases production costs, it also provides exposure. A National Second Division could feasibly be provided via the My Football app although this would be required to be discussed with FFA's commercial partners. Whether every match would be required to be streamed would need to be determined based on the net benefit.

11.3 SPONSORSHIP

The sponsorship market is currently highly competitive and somewhat saturated with content, including a significant amount of women's sports content. It is likely that selling sponsorship for a new football league would be challenging. Subject to the composition of the clubs within a National Second Division, there may be some regional/localised appeal that allows clubs to gain local news coverage and connect with their local communities.

11.4 FUNDING

Given the appetite of some governments to support bids for a HAL licence, it would be appropriate for a National Second Division and/or club bids to engage with all levels of government to consider whether government funding for local clubs is feasible.

In order to secure government funding, lobbying efforts should include utilising local media to build support for clubs and for the National Second Division generally – in doing so, creating political tension that unlocks funding. Funding for a National Second Division may extend to operational funding to underpin the operations of the club, but may also include local council or state funding for high performance facilities, stadium improvements and player development pathways.

In addition, a National Second Division should canvas support from local Member Federations and Associations. Their support could constitute financial or non-financial support, including high performance facilities, fields and so on. In some cases, it is likely that the presence of a team in a National Second Division would support the Member Federation/Association goals of securing government funding for joint facilities.

12. OTHER TECHNICAL

TECHNICAL

12.1 TECHNICAL PATHWAYS

FFA recently appointed a new Technical Director in April 2019. With this appointment will come a new view of the technical pathways required to develop players. Prior to finalising the approach to a National Second Division, a new Technical Director should be consulted closely. The areas of consultation in relation to this topic are likely to include (but not limited to) the following:

- The role of the NPL;
- The role of the Y-League;
- The role of the NPLW and WWL alongside elite women's football programs;



13. SUMMARY OF RECOMMENDATIONS AND CONSIDERATIONS

Recommendation 1: NSDWG recommends the establishment of a National Second Division competition by 2021/22 that will be financially sustainable, provide professional pathways for more Australian players and grow the game's footprint.

Recommendation 2: Identify a roadmap for the delivery of the National Second Division, including putting in place a stage gate process of 'go/no go' decisions starting with the financial sustainability of the competition. This should include securing sufficient commercial and broadcast arrangements as well as start-up capital.

Recommendation 3: A steering committee to be established immediately to review the recommendations and considerations in this white paper and to commence the task of drafting the competition architecture, including a budget, for a national second division as well as preparing the EOI process and timeline associated with same. The steering committee to be comprised of the following representatives: FFA (Chair); Member Federations (2); AAFC (2); PFA (1); HAL (1). The steering committee to report back to the FFA board by end November 2019 with a view to opening EOI first half of 2020.

Consideration 1: Consideration be given to FFA initially operating a National Second Division as a set competition format for a period of two years, thereafter considering promotion into National Second Division from below. This would provide sufficient time for clubs to embed themselves and raise their standards to a sufficient level. A minimum of eight (8) clubs should compete in the national second division in the first two seasons.

Consideration 2: Consideration be given to a National Second Division being used to incubate clubs that have the potential to become the future expansion clubs within the top tier of Australian football. This should provide 2-4 new expansion opportunities in the coming decade, with a top tier competition consisting of 14 to 16 clubs overall.

Consideration 3: Identification of key markets that would be required to sustain the broadcast appeal of a National Second Division while focusing efforts on accessing new markets, including major cities that are not currently serviced by professional football clubs. This should

include identifying existing or new clubs that will connect fans to the game, or provide significant other strategic appeal such as adding to existing fans or pathways.

Consideration 4: Design a season timeframe based upon consultation with broadcasters and key stakeholders, and in connection with a review of the NPL and Y-League. In addition, NSDWG recommends a full economic impact assessment (EIA) in relation to the commercial impact on the football ecosystem, including HAL, Y-League and NPL. Specifically, this should consider the impacts of various season schedules (e.g. partially or fully in parallel with the HAL/NPL).

Consideration 5: Identify the optimal window for activity considering the winter and shoulder seasons as well as potential to provide content in FIFA playing windows.

Consideration 6: A final assessment of the playing rosters be determined after the commercial model of the league is clearly identified.

Consideration 7: Consideration be given to no more than two (2) foreigners in the National Second Division and FFA also recommends that the number of foreigners in the top tier of Australian football does not exceed five (5) per club, thereby providing greater opportunities for Australian talent to progress from a national second division into the Hyundai A-League.

Consideration 8: Regulation of the National Second Division to reside with the FFA. The FFA also has an obligation to provide regulation and integrity services to national leagues within its jurisdiction. As part of this stage gate process, assess the implications of the National Leagues Working Group outcomes and make a final determination on the governance structure for the National Second Division. This should specifically consider the implications of FFA's existing contractual arrangements.

Consideration 9: Investigate allowing a system of transfer fees and open loans between the National Second Division and the top tier of Australian football to sustain operations within the National Second Division.

Consideration 10: Identify (and prioritise for consideration) stadia that would be appropriate for a National Second Division. As a guideline, this should include a minimum capacity of 5,000 and a maximum



capacity of 15,000 and provide the best opportunity for clubs to provide a good atmosphere within the stadium.

Consideration 11: Promotion and relegation be considered between NPL 1 and National Second Division at the appropriate point during the second window (5-10 years) and upon consideration of non-football criteria that is beyond on-field performance.

Consideration 12: Identify an optimal club licensing structure for the National Second Division, including minimum capital requirements, board structures and director's tests. Provide information publicly in regards to "community ownership models" (e.g. 50+1) for clubs consideration in any future structure.

Consideration 13: Pursue a set of professional football standards that are appropriate for a National Second Division and ensure minimum performance and technical standards are being met.

Consideration 14: The optimal commercial sponsorship model to be identified, including consideration of centralised assets and providing support to clubs as part of their own efforts to secure sponsors. This approach should consider the use of a hybrid opt-in model.

Consideration 15: FFA to engage with Fox Sports Australia to ascertain their appetite for the National Second Division. Specifically, FSA and FFA should ascertain whether the Federal Government's funding for "community and niche sports" is an avenue for funding. A free to air television option should also be investigated, including with regional broadcasters.

Consideration 16: Outline a streaming strategy to complement a broadcast partnership. This would include consultation with FFA's existing partners and targeting My Football app and social media channels.

Consideration 17: A bundled approach to sponsorship in early seasons that maximises value. This should include a number of league based sponsors, including a naming rights sponsor.

Consideration 18: Engage with existing Member Federations to ascertain their interest in supporting, financially or otherwise, a future National Second Division club. This should be prioritised in states where there is no representation or existing pathway into professional football. This process should also engage governments at all levels to investigate the possibility of government funding for National Second Division clubs, on a one-off and ongoing basis. This should be prioritised in key markets, including areas that are not currently represented by any top tier of football.

Consideration 19: Any process to ascertain expressions of interest should engage globally, with a view to identifying investors of a high calibre that are able to invest in a National Second Division team.

Consideration 20: Establish a timeline to build women's teams attached to the National Second Division. This should consider the unique characteristics of women's football and the overall strategy of the WWL and Matilda's. Specifically, this should consider issues of player depth, quality and WWL's expansion to 12 teams.

Consideration 21: That any National Second Division club have a women's football team competing at the highest level available locally and that those teams are provided with access to equivalent facilities.

Consideration 22: Identify and consider the inputs from the new Technical Director as well as the impacts on other elements of the football ecosystem. This should include any potential impacts on cost of playing football.

