

## **Joint Supporters Group Cymru & Welsh Rugby Union Meeting**

**Date:** 15<sup>th</sup>February

**Time:** 18:00-19:10

**Location:** Zoom Call

### **Agenda:**

Professional game structure and funding

### **Present:**

WRU: Ieuan Evans, Malcolm Wall, Nigel Walker

Ospreys Supporters Club: Grant Berni, Cathy Green

Crys 16: Barrie Jones, Ian Lewis

Dragons Official Supporters Club: Dan Hallett

Cardiff Rugby Supporters Club: Hugh Campbell, Simon Harrington

CF10: Lynn Glaister

### **Minutes**

- BJ opened proceedings and thanked IE, MW and NW for meeting with JSG.
- It was agreed by both parties that minutes would be taken and agreed by all present before they would be shared with the membership of the various groups represented by JSG
- IE asked about the history of the JSG/WRU meetings and BJ explained that following a meeting with Roger Lewis, there were a series of regular meetings with Martyn Phillips and then Steve Phillips but that stopped in August 2021 with no explanation from the then incumbent management team at the WRU.
- GB stated that from a supporters' point of view it appears that the regions were being run into the ground due to the lack of a financial agreement (whether purposefully or by accident) and asked what the plan was to put this right.
- MW stated that the clubs are not being run into the ground and added that over the last five years, the WRU and the clubs have been at fault in paying more out more than they've had coming in (most notably squad costs). MW added that COVID exacerbated that situation because the revenues to the clubs fell very significantly.
- MW stated that after joining the WRU board, he had the responsibility to look at the pro game and felt that Welsh rugby has moved slowly, most notably compared to in England, in reducing its cost base.
- MW stated that the pro teams have been sadly lacking in their ability to generate commercial revenues & noted the importance of the loyal supporter base but added that the average gates from all four clubs has not increased over the last 10 years.
- MW stated that there was a 6-year funding framework worth over £300 million to the clubs over the next six years. The funding is made up from a number of component parts. The first part is the PRA funding which

comes from the profits made from the WRU through their activities. There is around £90 million revenue generating about £35 million of profits. A proportion goes to the community game and the large proportion to the professional game. The WRU have continued to raise its profits and therefore made more money available for the community/professional game.

- MW added that the WRU are releasing the majority of CVC investment into the pro game over the next four years & that they were in the process of arranging a debt facility for the clubs. The clubs are also required to increase revenues over the next six years.
- MW stated that he believed that after negotiating and agreeing heads of terms, they are very close to the long form agreement that maximised the amount of money coming into the game, however squad costs must be lower.
- MW added that players' current contracts would be honoured, but players don't like some of the terms that are being offered going forward. MW added that he has a great deal of sympathy for the players.
- GB stated that JSG had previously been told by the WRU that CVC money could not be used within the pro game.
- MW replied that this had previously been the case & that he had convinced the WRU to go back and to renegotiate the terms of the CVC money in order to get it released to the clubs.
- LG asked when the funding agreement would be completed.
- MW replied that the clubs should have a long form agreement by 17<sup>th</sup> February & that if they were to sign it straight away, the monies would flow.
- IL asked how the WRU plan to address the relationship between the WRU and the pro teams which had previously been described by the pro teams as parent-child, but by the WRU as 5 equals.
- NW stated it was appropriate for him to pick up the question as he had referred to the relationship as one of parent-child when he was on the Cardiff Board. NW added he has repeated that statement when he appointed as the PD of the Welsh Rugby Union & had discussed it with Steve Phillips at length before his appointment as PD. NW stated that when he was appointed, he wanted to change the relationship between the WRU and its regions, noting it was difficult at times. He added that material had been leaked by people who have not been at meetings saying they're representing the region.
- NW stated that it was a collaborative partnership and he had mainly been liaising with John Daniels (Scarlets), Dan Griffiths and Corin Palmer (Ospreys), Dai Young and Richard Holland (Cardiff), and James Chapron (Dragons). NW encouraged JSG to ask clubs how they view the relationship with him and that the relationship he has with the club representatives is what he would like to exist across the WRU and regions at all levels.
- IE stated that he was part of the panel that appointed Nigel in the role of PD and that every relationship has peaks and troughs, and the scar tissue needs to be dealt with to develop and strengthen relationships in the future. IE added that to get alignment, clear communication, clarity and collaboration are needed.

- IE stated that resource hadn't been optimised in the past & the only way to keep hitting above our weight was by working together.
- MW stated that NW had made huge difference on the playing side but that there was still a poor commercial relationship, which had been described by one club as toxic, partly because the way the financial funding was set on an annual basis. The annual model led to six months of negotiation with clubs looking at short term gain, taking away the focus on academies. MW added that the purpose of the six-year framework was to give everyone a good idea of where they stand financially. MW noted that they wanted to improve the commercial relationship in the same way NW had improved the playing relationship.
- CG asked how the WRU proposed to improve the commercial relationship.
- MW explained that it was two-fold. Firstly, the funding agreement where teams would have a clear view of revenue from the different include streams (PRA, CVC, URC and commercial activities) and secondly by getting the clubs to work better together & that they had brought in a consultant to work on improving commercial prospects collectively.
- MW stated that he hates the term 'region', and we should think of them as clubs going forward, adding a sense of community.
- MW noted that more needs to be done on engagement via social media (noting that the clubs' social media is not as good as their local football clubs), pricing for children and making more out of projects such as Judgement Day.
- LG noted that major reasons that crowds are down were that our league takes away the ability of most people to be an away fan as well as being linked to poor kick-off time slots that stop younger children attending. She added that there is an understanding around television kick-off requirements but asked what the WRU can do with the clubs to help.
- MW stated that each club gets around £2.5m from URC television money & that the teams will stay in the URC, He then added that he sympathised with the concerns of playing in a geographically disparate league & noted that there is working group looking at timings of games.
- DH noted that previous talks about potential mergers between the Osprey and Scarlets had not gone down well & asked if there would be a commitment to continue with four teams.
- MW stated that there was agreement that having four clubs was in the best interest of the individual professional clubs as well as the national interest in terms of feed for the national team. MW added that the financial offer and the contractual offers are all based upon four teams, including a smaller fraction of finance from the private owners of the teams. MW stated that if a private shareholder fails to provide funding, it will be impossible for the WRU to step in and provide that finance, leading to a requirement for structural change.
- DH asked about timescales for transfer of ownership of the Dragons.
- MW stated that the ongoing work for a consortium to take the Dragons into private ownership is directly linked to the funding model being agreed. MW noted that there is a 6 year business plan for the Dragons & this was to be reviewed by the consortium on 21st February. MW was very optimistic on the transfer in terms of the consortium & also that the

other clubs felt uneasy about asymmetric ownership, adding that either all clubs should be privately owned or all WRU owned.

- BJ noted that the low likelihood of supporters transferring to another club gets missed and that Martyn Phillips seemed surprised at the reaction to the Scarlets and Ospreys merger debate.
- MW noted that the point is not missed, and IE added that there is a value to the tribal element & that the value of loyalty is important.
- MW noted that one of the reasons Wasps failed was having six different locations and expecting the supporter based to grow.
- IL asked how the WRU were planning to ensure the financial survival of the clubs in the interim, given that no payments had been made to date
- MW stated that two of the clubs have taken short term loans from the WRU to meet to meet their payroll in the last two months, so the WRU has done everything it can to keep these clubs alive until longer term funding is in place
- IL asked if there will be a 12 months interim deal before we get to the six year deal?
- MW confirmed that the 6-year deal includes this year, including an enhanced payment for the current financial year.
- LG noted that the confidence of the players has been hit, especially with around 90 players out of contract at the end of this season & asked what the WRU will do to give players confidence about wanting to stay in Wales & also asked if the 60-cap rule was remaining.
- MW stated that the WRU had made a press release during our meeting that makes it clear that all existing contracts were being honoured and that the WRU are offering new terms and contracts. MW noted that the reasons for the concerns are that contract negotiations are three months later than usual and that some players will see a 20% reduction to their income.
- MW made it clear that the offers are not in line with market values market but that there are some well-funded English and French rugby clubs, who will be able to afford to pay more leading to the loss of one or two more players. MW added that this is regrettable, but it is the price we pay to have four sustainable clubs.
- MW stated that players will have to decide on either staying in Wales, giving up pro rugby, or leaving Wales in the knowledge that (depending on where we are on 60 caps) they might not play for their Wales again. MW added that players can earn up to £100k if they play in all internationals matches in a year & that under the new agreement, the average earnings of a professional player for Wales, not including international income is £100,000 a year. MW noted we are not going to go through this unsettling period again once a 6-year framework is in place.
- LG stated that if academy and young talented players have had their confidence knocked, this could have an impact on the game in three to four years.
- MW noted that one of the funding conditions is that every club has to increase development and academy funding MW added that conversion rate from the community game must be 2%, which is far higher than in other sports.

- HC asked if changes are planned to the strategy for the pro game development pathways and the community game and how they may dovetail together.
- NW stated that John Alder (head of player development) has put together a framework for the academies. Each academy will have to apply for a licence & need to meet certain obligations. NW added that he has worked with Geraint John (Community director) to make sure that there is a smooth transition from the community game from under 12 boys through to the under 18s in particular, to keep more boys in the sport for longer. NW added that the first thing he did was establish a women's strategy group to ensure a pathway from under 12s through to national under 18s, under 20s and a development team below the now professional national team.
- NW noted that it would take three or four years to see the benefits of the new frameworks and strategies.
- IE added that it's about future proofing in terms of skills and coaching to develop players in line with where the laws of the game are going in the future.
- LG asked if proposals include the pro teams having women's teams.
- NW stated that discussion had started with regions but that it was Higher Education establishments winning tenders for development centres as they were willing to fund better facilities for the girls.
- MW noted that having been associated with a club (Harlequins) that won the woman's and men's Premiership in the same year, the positives of having two successful teams within the organisation was immeasurable in terms of both the community and commercial sides of the club.
- IE endorsed MW's point on the women's game & noted that the Lions have carried out a feasibility study of a women's Lions team for the same reason.
- BJ commended NW for the work he has done on the women's game.
- Before NW and IE left the meeting, it was agreed that a regular series of meetings between JSG and the WRU would be set up again.
- JSG thanked IE and NW for their time
- BJ asked it if the 6-year deal could make the pro teams competitive.
- MW stated that he thinks money had been badly spent in the past and that other Northern Hemisphere clubs spending £7m and have achieved more in Europe than Cardiff have with the same budget. MW added that the elite players are receiving a premium, but the salaries of the player who may get 150 games plus for their clubs and maybe a few international caps are under the greatest pressure, as they've been overpaid compared to market value.
- MW stated that the Irish models are being looked at and noted the success of Leinster's pathways in terms of school scholarships. MW added that results will take some time & we will have to build commercially to reinvest in the squads.
- LG asked what size squads will be in the future & noted how difficult it is during the international windows when players are not released back to their clubs.
- MW stated that he expects squad sizes of 45 & that NW had been working on better relationships between pro teams and the Premiership to provide

a backfill. MW added that a flexible loan system between clubs was part of the framework & gave the example that if one club had a back row problem, they can request the loan of a player from another club.

- MW noted it's not good for the players if one club is effectively warehousing players.
- CG stated that that success brings crowds & that clubs will struggle to grow crowds watching teams losing against sides with bigger budgets.
- MW challenged the premise that success drives crowd growth & added that he has used Nick Hogan (recently ran the RL World Cup) to review the topic. MW noted added that success allows the supporter base to be built more quickly but it is also possible to build the fanbase without success on the field through better marketing and better engagement. MW stated that a more youthful audience needs to be brought in through making rugby more of an event, selling the prospect discounting heavily to children and developing the links between community clubs and pro clubs.
- CG stated that there needs to be a degree of empathy for the players who are facing 20% pay cuts & asked if they are being offered any financial advice or counselling
- MW agreed that empathy for the players is important and stated that they are working with the WRPA and Gareth Lewis (WRPA chief executive) to provide welfare officers to give players better financial training.
- MW stated that the consequence of not reducing players wages was a reduction to three clubs and making players redundant. MW added that 4 clubs, with some reduction in salaries, provides a better product for the long term.
- CG asked how other European wages compared to the new contract offers.
- MW stated that the budgets are in line with average European budgets but are significantly lower than wealthier clubs such as Lyon, Toulon and Leicester
- IL asked if MW thought clubs would be voting for or against the governance changes.
- MW stated he's visited Glamorgan Wanderers & Crumlin & is due at Neath & so far responses have been very good. MW added that as a matter of principal he could not stay on the Board if the governance vote does not reach the 75% required for change, noting that he joined the WRU with promises of governance changes to address the lack of diversity.
- MW stated that the Principality Building Society and other partners would also walk away if governance changes were not made, with devastating consequences.
- DH asked if there is a specific strategy to engage with the community clubs on the governance changes.
- MW explained that there is a full campaign planned to run until 26<sup>th</sup> March via roadshows, ads in the press, social media exposure & endorsements from key influencers. MW added that the last campaign was badly run and resulted in 66% of the vote.
- MW reaffirmed that JSG and the WRU should meet regularly as the money spent by supporters on season tickets and supporting their clubs was vital.
- BJ closed by thanking MW for his time.