

# *10 Minutes on Sport*

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# Introduction

## Impact of Sport

Data has emerged as a key area of focus for many organisations across all industries. Sport has not been immune to this latest phenomenon with data analytics being used post event/season to quantify the economic and often non economic impact of sport on a community. This edition of 10 Minutes on Sport begins with a look at data and the use of it to quantify the economy wide (being both direct and indirect) impact that sport has on levels of economic activity. Such analysis is then often used to inform a decision to host (particularly in relation to major events) future events.

Whilst data can be used to quantify the economic impact of sport on a community, it can also identify where gaps exist in the funding of our favourite pastimes. Government funding for sport has incidentally fallen by 15% since 2011. Our second article looks at this funding gap and in particular, the value of tax deductible donations as a way of helping sporting organisations in meeting their financial needs. This article includes an interview with the current CEO of the Australian Sports Foundation (ASF) (and former PwC Partner) Patrick Walker, being the only sporting organisation in Australia with Deductible Gift Recipient (DGR) status. The ASF raised \$44.75 million in 2016-17 and is aiming for \$100 million per year by 2021. The proceeds being directed to a variety of different clubs/organisations with an impressive 61% being made towards grassroots clubs in 2016-17.

We then change focus and look to the horizon, a horizon that is in fact a lot closer than we think as we focus on eSports. A staggering 43 million people watched the 2016 World Final of the League of Legends (up from 27 million in 2014) as participants competed for a prize pool of over \$6 million. This is indeed a growth area with involvement not only from athletes and tournament organisers, but production companies, media (of varying platforms), technology companies and even venture capitalists. Definitely an area of focus as even the traditionalists begin to agree that this is not merely fun and games.

We invite you to consider the thoughts put forward in the following articles:

1. **The economic impact of sport** – What is big data telling us?;
2. **The funding gap and the value of tax deductible donations** – Increasing importance of donations in bridging the funding gap; and
3. **eSports** – The future is now.

As always, we look forward to your feedback and encourage you to not only discuss the issues raised with your colleagues but reach out to the PwC contacts listed for a deeper dive. We hope you enjoy “10 minutes on Sport”



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# Economic Impact of Sport

## Lasting economic benefits

The return on investment in today's data rich environment is driving appetite for more precise measurement on the economic return of sport and sporting events. Advance economic impact analysis techniques can quantify the overall impacts to the economy generated by a sporting season, program, initiative, event or infrastructure investment.

Reporting on these impacts of sport informs the public and decision makers of the overall magnitude of economic value sport brings to the economy, particularly those that rely on government support or funding.

These studies use financial and economic data to generate estimates of the economy-wide (direct and indirect) impacts sport-related spending has on levels of economic activity including impacts to:

- gross domestic product (GDP) or gross state product (GSP)
- household consumption (as a measure of economic welfare or standard of living)
- job creation.

For seasonal sports such as the AFL, AFLW, rugby, soccer and cricket, impacts predominately arise from:

- ticket sales
- food and beverage
- media and advertising.

For major events such as the Australian Open, Cricket World Cup, FIFA World Cup and the Olympic Games the most significant impacts will come from:

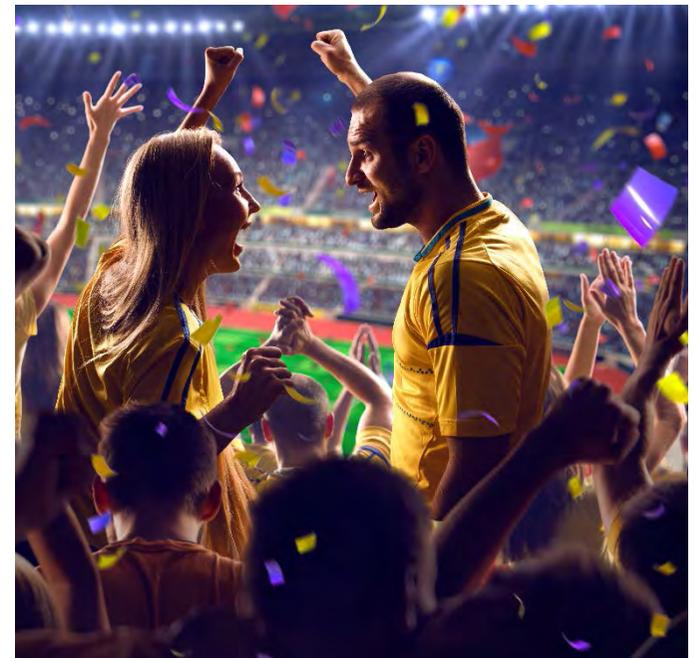
- foreign investment in delivering the event
- interstate and overseas visitor spending on travel, accommodation, other tourism
- event tickets and merchandise.

Sport and sporting events also contribute broader benefits to communities across Australia. These may include long-term or downstream activities including:

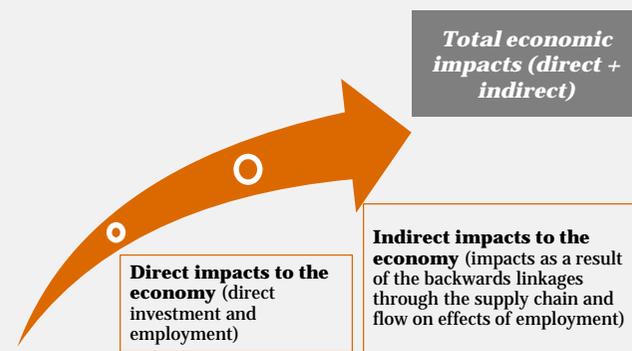
- branding and promotion
- trade and foreign business partnerships
- participation and development in sport
- infrastructure legacy benefits.

Economic impact analysis can inform the contribution major events bring to the local economy, potentially making the case to host another major event in Australia.

PwC uses computable general equilibrium (CGE) models to quantify the economic impacts of sport and sporting events. These models are widely accepted and preferred by State and Federal Treasury departments, which ensures credibility of our modelling and results.



### The concept of economy-wide modelling



# Economic Impact of Sport (cont'd)

## Economic impacts from various sporting infrastructure investments in Victoria

PwC has the ability to not only measure economic impacts of sport and sporting events at the national and state level, we have the ability to report impacts at a community level using PwC's Geospatial Economic Model (GEM). This type of analysis is useful in understanding the underlying characteristics of a community. This is a particularly important piece of information to have when making infrastructure investment decisions as it assists in interpreting how these investments affect various communities.

Differing levels and placement of infrastructure investment result in differing impacts across communities. By integrating economy-wide modeling using CGE analysis and geospatial modelling using PwC's GEM, this allows us to examine which communities would benefit from building investments in one location versus another.

Local impacts of primary infrastructure investment



Local impacts of supporting infrastructure investment

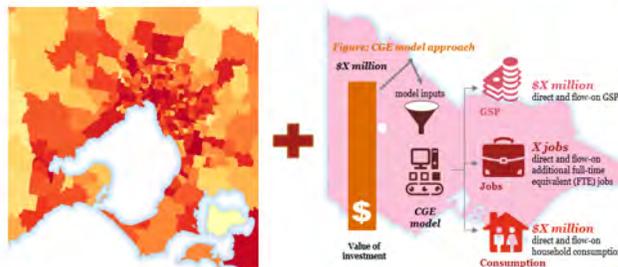


### Key:

- Centralised investment scenario
- Decentralised investment scenario

Bubbles show investment location, bubble size represents potential level of economic impact (GSP, jobs, household consumption)

### Integrating CGE & GEM allows us to identify economic impacts at the community-level



### PwC's economic impact analysis help clients with:

- Providing robust and sound analysis that is independently and objectively prepared which can be used to support business cases and market led proposals
- Informing the decision making process on matters such as the construction of a new sporting facility, or the expansion of existing facilities
- Communicating the economic contribution of sporting seasons, programs and events, which can be used as a powerful tool to build stakeholder support or to obtain government funding
- Documenting the value of initiatives and activities to communicate impacts to community members
- Influencing policy development.

For more information, please contact:



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# The Funding Gap

## and the value of tax deductible donations

Australia wants to achieve greatness in sport at the world level, it is part of our basic psyche. So it's no secret that we love our sport, all the way from the under 6's up to the national teams. However, the focus on funding has generally been at the professional/elite level. Commercial sponsorships in particular have enabled these professional clubs to not only pay their players a significant income, but also provide them with top class facilities in which to train and compete. The value that sport (and sporting events) can bring to other industries such as hospitality and tourism has also seen funding (at least at the elite level) being provided by, in some cases, government bodies assist in bringing foreign sporting teams to Australia. The economic benefit that a high profile foreign team can bring to a community and the associated industries noted above is seen as far outweighing the funding provided.

But what about the grassroots level clubs and the young up and coming athletes? Sausage sizzles and small local business sponsorships only go so far towards the costs of uniforms, equipment and nets for example.

**In 2017, the AIS gave a variety of grants to almost 15,000 elite athletes.**

There are several sources of funding available, primarily through government (national, state and local) funding programs such as through the AIS and ASC which have a variety of grants available including to elite officials, through the high performance sporting strategy ("Winning Edge") to develop world class athletes, indigenous programs, local clubs, women leaders programs and so on.



**ASF is currently the only sports organisation in Australia with DGR status.**

However, as the source of sports funding becomes more competitive, many organisations are turning to other sources to support all types of sports programs from grassroots through to elite level. This has resulted in different approaches, from applying commercial business principles to the running of amateur clubs, the better use of technology and data analytics, and an organisation such as the **Australian Sports Foundation (ASF)** recognising the value of tax deductible donations and obtaining Deductible Gift Recipient (DGR) status.



Up until 2014, the ASF had meandered along, raising up to \$17 million per annum. But an overhaul, led by CEO and former PwC Tax Partner Patrick Walker, has seen it raise more than \$100 million over three record breaking years, including \$44.75 million in 2016-17 – up from \$32 million on the previous year. It has been an outstanding transformation.

**The ASF aims to raise**



**\$100 million per annum by 2021.**

## The Funding Gap (cont'd)

### and the value of tax deductible donations

“When you consider that around \$3 billion is donated annually to DGRs in Australia, and sport received less than 1.5% of that last financial year, then I think \$100 million per annum is very achievable, particularly given the important role sport plays in our communities, and Australians’ passion for sport at all levels” says Walker.

The ASF currently partners with over 1,200 sports organisations and over 200 state and national athletes to raise funds. If you think tax deductible dollars are only going to the big, elite clubs and national sports organisations, think again as 61% of donations were made to grassroots sports.



**In 2016-17, 61%**  
**of donations**  
**were made to**  
**grassroots clubs**



That was a significant jump from 39% in 2015-16. “This shows how Australians value their communities and are prepared to donate to sports groups at a local level,” Walker explained.

Earlier this year, the ASF commissioned research to examine why people donate to sport. They found that donors were largely motivated by gaining personal satisfaction and a sense of belonging to their club or sport.

“For many, they want to give back to the club or sport which has made a significant impact on their life. Not all sport bodies are looking for vast sums of money” Walker said.

“Over \$1.2 million was raised by clubs last financial year by adding donations to membership, event tickets or registration fees. This is a far easier, healthier and immediate fundraising option compared to chocolate drives and sausage sizzles,” he said.

Walker says growing funding for sport will have a profound impact on our communities and the development of sport in general

“Overall, our nations participation in sport is declining and obesity levels are climbing to alarming levels. One in four Australian children are now overweight or obese. Physical inactivity costs the government health budget significant amounts every year. We are providing an avenue which helps the wider community get more active and healthier” he said.

For more information on the ASF, please visit [www.asf.org.au](http://www.asf.org.au)

If you are interesting in exploring alternative funding options including reviewing the structure of your organisation and the use of data analytics to drive strategic decision making, please contact PwC and we would be happy to discuss further.



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# eSports

## A rapidly expanding new market

Thinking of changing jobs? Well, you may want to start to work on your gaming skills. Over the past few decades, video games and live gaming or eSports are becoming as big as the traditional sports. In 2014, 45,000 people crammed into a stadium in Seoul with another 27 million online to watch the League of Legends World Final. By 2016, 43 million people were watching online and the prize pool went from \$2.13 million to over \$6 million. The NRL in 2016 had \$1 million in prize money for the entire finals series, with the winning team getting \$400,000.

### 'The AFL has announced a \$1.2 billion eSports industry'

First-person shooter games and massive multiplayer online games (MMOs) in particular have spawned professional teams of players from all around the world. This has led to the establishment of massive gaming tournaments. These tournaments have become so prominent in recent years, ESPN has added an eSports section to their repertoire and the AFL has just announced a \$1.2 billion eSports industry.

But it's not just athletes and tournament organisers in the mix. e-Sports has a unique set of revenue streams. Games are published by production companies, some of whom set up and control the tournaments. Players are part of teams that are owned by everyone from former Hall of Fame athletes to venture capitalists. They play on media platforms like Twitch TV, YouTube and mainstream television.

Teams are sponsored by major technology companies and producers earn more revenue through merchandise and ticket sales to live events. There is advertising to fans in the hundreds of millions who not only watch, but play the games themselves.

The modern eSports boom has also seen a rise in video games companies embracing the eSports potential of their products. After many years of ignoring and at times suppressing the eSports scene, Nintendo hosted Wii Games Summer 2010. Spanning over a month, the tournament had over 400,000 participants, making it the largest and most expansive tournament in the company's history.

### According to the research firm Newzoo, "The eSports industry will grow from \$278 million in revenue in 2015 into a \$765 million industry by 2018."

While it seems as if the battle has already been won for eSports, many remain skeptical. The Oxford Dictionary defines a sport as "an activity involving physical exertion and skill in which an individual or team competes against another or others for entertainment," so how can eSport players and the games they play align with the definition? With all of the popular games in eSports, it requires a huge amount of effort and training to reach a competitive level, so of course these gamers possess an impressive amount of skill in their respective games.

The physical aspect of this however, is the point of debate. Those outside eSports are starting to agree it's not just fun and games.

We might be able to scratch the surface of this game, but all you need to know is that gamers love to play it, and even more of them love to watch it.



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