

24 October 2017

Committee Secretary
Senate Standing Committee on Community Affairs
PO Box 6100
Parliament House
Canberra ACT 2600

By email: community.affairs.sen@aph.gov.au

Inquiry into the Future of rugby union in Australia

I write in response to a phone call, and then a subsequent letter dated 18 October 2017, that was forwarded to me on behalf of the Senate Standing Committee on Community Affairs.

In this letter I was invited by the committee to make a submission in relation to the committee's current inquiry into the Future of rugby union in Australia. I note that the committee has extended the original date advised for such submissions, to allow me to comment should I wish to accept this invitation.

Please see attached a factual summary of the events related to an approach made to me by the ARU in May 2014. Given that this bid continues to be referenced in the Committee's hearings I have provided a summary of the details so that it is on the public record. I have not tried to compare this bid to other negotiations that the ARU were involved in at, or around that time.

Yours sincerely

Alan Winney

ALAN WINNEY STATEMENT ON THE 2014 BID FOR THE MELBOURNE REBELS

Following comments made at the Senate Hearings currently underway in Perth this statement has been prepared and released by Alan Winney to provide greater clarity around matters relating to negotiations that took place in 2014 wherein the ARU was offering to sell the Melbourne Rebels Rugby Club (Rebels).

I confirm that I was approached by the Australian Rugby Union (ARU) to discuss a purchase of the Rebels in late May 2014. The ARU indicated to me that they had approached me as a prospective buyer because they knew that I remained a strong financial supporter of the club and had taken regard of the fact that I was a founding Director and shareholder (2010-2013) of the Rebels, having held 28% of the initial equity. Discussions with the ARU took place during the 2014 mid-year test window and continued over the end of the 2014 Super Rugby season. Negotiations on behalf of the ARU and the Rebels were handled by Bill Pulver and Rob Clarke.

A syndicate of interested investors was assembled under the initial name of Melbourne Rebels Bid Consortium (Bidco), which became known as the Winney Consortium during the negotiation period. This group was comprised of members of the Melbourne business community who had a strong affinity with rugby, it also involved financial support from existing rugby interests based in Europe.

Bill Pulver signed an exclusivity agreement on behalf of the ARU on 5 June 2014, due diligence commenced on that date and exclusive negotiations continued for approximately seven weeks. This Consortium submitted a bid to the ARU on 18 July 2014 to buy the Rebels, with the ownership to change with an effective date of 1 January 2015. The ARU came back to the Consortium with a counter offer on 22 July 2014.

The Winney Consortium bid to buy the Rebels from the ARU was to pay \$100 for the Super Rugby participation licence and the club's intellectual property. It proposed that the Consortium would then recapitalise the club with \$6 million in new equity, to take effect from the handover date. The Consortium advised that all matters up to 31 December 2014 would remain as the responsibility of the ARU and that all matters related to the post 31 December 2014 period would be the responsibility of the buyer. The buyers would absorb the anticipated 2015 losses, but were seeking the same uplift in TV rights payments in 2016-2020 period that would be paid to the other Australian Super Rugby teams. This uplift was estimated at \$2million p.a. Some player concessions were requested from the ARU, but no other additional special support payments were requested or offered.

The Consortium assumed in its bid that the losses incurred by the Rebels in its first four seasons would continue in 2015, given that it would be too late to make the substantive changes needed. A budgeted loss of approximately \$3 million for 2015 was agreed as realistic by both parties. The ARU did not appear to undertake any due diligence on the Consortium but did request \$1million be placed in trust to protect the ARU from an event of Moral hazard, the ARU withdrew this requirement during the negotiations.

The ARU counter offer to the Consortium was an outcome that was over \$4.5 million worse in 2015 and a further \$1million p.a. worse in the 2016-20 period compared to the deal that had been put on the table by the Consortium. It would have meant that the Rebels would burn the full \$6 million in new equity well before the end of 2015. Given the ARU position, and its unwillingness to negotiate on key terms, the Consortium withdrew from these negotiations on 25 July 2014.

The Consortium requested, and received confirmation from the ARU, that the correspondence relating to the bid and of the subsequent withdrawal of interest, had been provided to the ARU Board and that the ARU Directors were involved in the decision-making process. The Board of the Melbourne Rebels, via the CEO Rob Clarke, were also forwarded copies of the bid that was put to the ARU. These various documents were distributed without any confidentiality constraints attached to them.

24 October 2017