

BCG

THE BOSTON CONSULTING GROUP

Intergenerational  
Review of Australian  
Sport 2017



Australian Government  
Australian Sports Commission



## About this report

As the Australian Government's lead sports agency, the Australian Sports Commission (ASC) has been closely monitoring the health and performance of the Australian sports sector since the early 1980s. In recent years, the ASC has observed significant trends relating to sports participation, performance and consumption. To understand these trends and their impact in the future and to best prepare Australian sport to adapt for success, the ASC Board engaged The Boston Consulting Group (BCG) to undertake The Intergenerational Review of Australian Sport (IGRS). The IGRS had five objectives:

- > **Objective 1:** To identify the value of sport to Australia and the key forces and trends that are challenging sporting organisations and the sector as a whole;
- > **Objective 2:** To understand the current investment in Australian sport, within an international context;
- > **Objective 3:** To articulate and quantify, to the extent possible, the return from the investment in sport in Australia and internationally;
- > **Objective 4:** To identify strategies to maximise the opportunities and return for all Australians, in line with broad government policy; and
- > **Objective 5:** To identify ways for the sports system to work together more cohesively.

In order to achieve these objectives, BCG completed in-depth research and analysis of the Australian and international sporting systems and trends, and interviewed a wide range of stakeholders in the sport, health and education sectors. The majority of the review for the IGRS was conducted from August 2015 to January 2016, with some updates made to the modelling in January 2017.

As part of the review, BCG laid out the likely outcomes of a 'do nothing' scenario in which today's trends in sport continue for 20 years until 2036. BCG also laid out an alternative aspirational future for sport and defined the types of actions required to achieve this aspiration over the next 20 years. A summary of the outcomes from this work is provided in this report.

This review focused on the overall sports sector, with a particular emphasis on participation in sport and community level sport. While the synergies between participation and high performance sporting outcomes are recognised as being important to any discussion about the value of sport, the ASC's high performance strategy is reviewed as part of the Olympic cycle. A separate, deeper analysis of the high performance sports system, including the AIS strategy and future direction of the AIS campus, commenced prior to the Rio Olympic and Paralympic Games. This analysis includes an evaluation of each sports ability to contribute to high performance outcomes. The outcomes of this analysis will complement this review.

While BCG worked closely with the ASC and benefitted from their extensive data, expertise and research, the views presented in the IGRS remain the responsibility of BCG.

# Contents

<b>Executive summary</b>	<b>4</b>
<b>01 The value of sport to Australia</b>	<b>6</b>
<b>02 Trends that are impacting Australian sport and future challenges</b>	<b>10</b>
<b>03 A new aspiration for Australian sport</b>	<b>20</b>
<b>04 Five steps to achieving the new aspiration</b>	<b>22</b>
Becoming the most active sporting nation	23
Developing thriving sports organisations	27
Achieving outstanding international success	28
Creating a world leading sports industry	29
Strengthening the foundations: investment, intelligence, infrastructure	31
<b>05 The benefits from achieving the new aspiration for Australian sport</b>	<b>36</b>
Appendix 1: Definition of sport used in the report	38
Appendix 2: Method used to model the value of sport	40
Notes and references	47

## Executive summary

### The value of sport to Australia

Sport plays an integral part in the lives of Australians. Over 90% of Australian adults have an interest in sport, with 8.4 million adults and 3 million children participating in sport each year. Further, nearly 8 million attend live sports events each year. Australia also has an exceptional track record of success in high performance sport – with 25 reigning World Champion teams and individuals in 2016 – and a long tradition of punching above our weight on the elite international sporting field.

Our participation in and passion for sport creates significant benefits for Australia. The sector's economic contribution is equivalent to 2–3% of GDP, employing more than 220,000 people and attracting 1.8 million volunteers – Australia's largest volunteer destination. Sport also makes a major contribution to our health and wellbeing, with high participation by children creating the foundations for an active, healthy life that is essential to combat obesity and physical inactivity – now as big a killer as smoking. Participation in sport also improves outcomes in core academic fields, as well as teaching life skills and improving retention. The network of clubs and competitions brings people together like few sectors can and is a rich source of social capital. And, our international success builds national pride and reinforces Australia's international reputation for excellence in an increasingly competitive global marketplace. Together, these benefits result in every dollar spent in sport returning \$7 of total benefits to Australia.

### The risk to Australia's sporting future

Australia's rich sporting tradition – and the many benefits we enjoy as a result of our sporting culture – is at risk of being eroded, with a number of trends impacting Australians' participation in sport and our future performance. For example, sport is being increasingly marginalised in schools, with less hours spent on sport and physical education and fewer trained teachers. Inactivity and obesity are rising, with 81% of Australian children not meeting the recommended activity guidelines, over 50% of adults living sedentary or low activity lifestyles, and two-thirds of adults and one-quarter of children overweight or obese. Even for those with active lifestyles, we are increasingly time-poor, challenging traditional club models and the social cohesion they bring. And, while some sports – particularly AFL, NRL, and Cricket – are successfully growing and commercialising, many others are struggling to maintain exposure and sponsorship, contributing to a widening wealth gap between the commercial, largely male, sports and the broader sports community.

Together, these trends are rapidly changing the environment in which sport operates and placing pressure on the sector to change. However, doing so will be challenging given a number of structural constraints within the sector, such as its fragmentation, the complex, federated governance structures within sports, and a shortage of key skills, such as in technology and data.

If the current trends affecting sport continue, the impact will be significant – for the individual, our communities, and on the international sporting field – with many of today's benefits eroded. Without action, Australia is at risk of transitioning from a nation of active sport participants to a nation of passive sport consumers.

Our involvement in sport, if current trends continue, will fall, with adult participation predicted to drop by over 15% by 2036. The diversity of our sports sector will decline, with smaller sports expected to lose share to the richer, commercial codes, impacting community club structures, volunteer numbers, and social capital. The pipeline of talent for Olympic sports will shrink, creating a risk that we fall outside the top 15 on the Olympic medal tally by 2036, especially given many of our competitor countries are increasing funding. And, we will lose many of the indirect benefits we enjoy as a result of being an active, sporting nation at a time when issues like obesity, chronic disease and social cohesion are some of the nation's top challenges. Together this means the return from every dollar spent in sport is predicted to fall, with an increase in the return from the consumption of sport, masking a larger decline in the benefits from participation in sport.

## The aspiration for Australian sport in 2036

To reverse these trends and maximise the potential benefits from sport, a new aspiration for Australian sport is being put forward to galvanise the sector around a shared vision for the future:

*For Australia to be the most active sporting nation, known for its integrity, thriving sports organisations, continued exceptional international success, and a world-leading sports industry.*

### How we get there

To achieve this aspiration for Australian sport, all parties involved in the sector must work together to drive sustainable change on several fronts. Five major areas of activity have been identified, including a small number of “game changers” in each that together can fundamentally shift the direction of Australian sport and ensure the many benefits derived from sport are enhanced into the future:

1. **Becoming the most active sporting nation, with more people participating, more often, and throughout life** by modernising sports’ offerings; embedding sport within the school day; and significantly expanding the use of sport in preventative health efforts.
2. **Creating thriving sports organisations that contribute to stronger, more inclusive communities** by creating a shared vision and metrics for the sector, improving leadership and capabilities, and increasing the integration of sports across the country.
3. **Ensuring continued exceptional international success in the sports and events that matter to Australians** by improving the national high performance system and ensuring the AIS remains a world-class strategic high performance agency. Specific details of this strategy will be released in early 2017 after the ASC has completed its review of the current Australia’s Winning Edge policy given performances at the Olympic and Paralympic Games.
4. **Developing a world leading, trusted sports industry, that plays an increasingly important role in the Australian economy** by capitalising on our comparative advantage in sport to export our products, services and capabilities, and by creating a unified approach to hosting major sporting events.
5. **Strengthening the foundations of the sector** by expanding non-government sources of revenue, improving the sector’s use of data and technology, and improving our sports infrastructure, especially at the community level.

## The benefits from achieving the new aspiration for Australian sport

The benefits from steering sport in this new direction will be significant. It will result in world-leading rates of participation, with 100% of primary school-aged children and higher lifelong involvement in sport and physical activity by adults. Australians will be fitter, healthier, more productive and more engaged with their communities. And, it will maximise sport’s potential to contribute towards some of Australia’s big challenges, like obesity and social cohesion. This direction will also help maintain our tradition of exceptional international success and maximise our chance of achieving our target of being top 5 on the Olympic and Paralympic medal tally.

The economic benefits will also be considerable. This new direction is estimated to deliver over \$25 billion of incremental economic, productivity, health, education and community benefits per year, compared with taking no action and allowing today’s trends to continue. Much of this value will be created by the sector working in a smarter, more innovative way that reduces inefficiencies and clarifies objectives. However, some new investment will be required, ideally from non-government sources such as a sport lottery.

# 01

The value of  
sport to Australia



*The enjoyment of and participation in sport is integral to the Australian way of life. 92% of Australian adults have an interest in sport,<sup>1</sup> 11 million adults<sup>2</sup> and 3 million children<sup>3</sup> participate in sports each year, 8 million attend live sports events each year,<sup>4</sup> and a rich network of sports clubs and competitions exist across the country that are supported by 1.8 million volunteers.<sup>5</sup>*

Australia also has an exceptional track record in high performance sport. On the international sporting field, Australia has always punched above its weight, from the improbable victories that established the Ashes in the 1800s to our third and fourth ranked performances at the Melbourne and Sydney Olympics, and 25 reigning World Champion teams and individuals in 2016.<sup>6</sup>

Our participation in and passion for sport creates significant benefits for Australia, driving a range of economic, health, educational and community benefits, as well as enhancing our international reputation.

Sport makes a valuable contribution to the economy. Over \$12 billion is spent annually on sport and sports infrastructure each year,<sup>7</sup> which supports over \$39 billion of economic activity across the country. This corresponds to the equivalent of 2-3% of Australia's GDP.<sup>8</sup> In the process, the sector employs over 220,000 people,<sup>9</sup> with a further 1.8 million committed volunteers donating 158 million hours to sport each year<sup>10</sup> – equivalent in time to nearly 90,000 additional full-time jobs and \$3 billion in economic value.<sup>11</sup>

Together, the direct economic, productivity and volunteering benefits from sport create a total economic value of approximately \$50 billion annually.

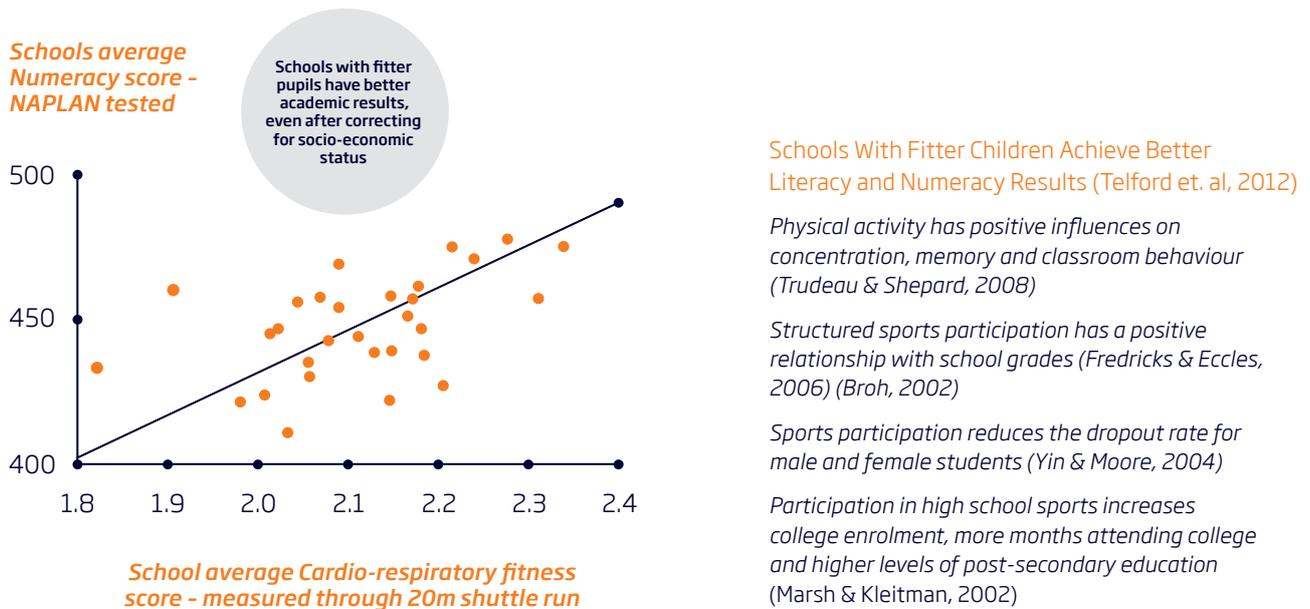
Sport delivers significant health and productivity benefits. Playing sport during childhood is critical for developing a life-long habit of being physically active, with children who grow up playing sport 10% more likely to remain active as adults.<sup>12</sup> This fitter, more active adult population is also more productive, with higher employee engagement and fewer absences from work that contributes a further \$8 billion to the economy each year.<sup>13</sup>

Inactivity and obesity are also leading risk factors for the major causes of disease and mortality in Australia today, including heart disease, type 2 diabetes, stroke and some cancers.<sup>14</sup> Moderate amounts of exercise also reduce mental health disease and depression, and have recently been shown to slow and potentially even reverse the onset of dementia.<sup>15</sup> As a result, sport creates \$29 billion of net health benefits each year through reduced healthcare costs and early mortality.<sup>16</sup>

Sport plays a positive role in children's educational achievement. Children who play sport have improved cognitive development, are more attentive at school, and achieve better academic results.<sup>17</sup> Playing sport as a child is also highly correlated with staying at school longer, especially for boys. Sport also teaches children critical life skills such as teamwork, fair play and resilience, which are important drivers of success as an adult. Together, this results in a high correlation between playing sport regularly as a child and higher lifetime earnings. The education benefits that result from sport are worth \$5 billion each year.

In summary, sport provides combined economic, health and education benefits of \$83 billion to Australia annually.

**Exhibit 4: Examples of the research base supporting the positive association between sport and academic achievement, reduced dropout rates and longevity in education<sup>18</sup>**



Sport also helps to bind Australian communities. Australia's network of sporting clubs and competitions is unique in its ability to bring people together. For example, people who play sport are 44% more likely to have mixed-ethnic friendship groups than non-participants.<sup>19</sup> In rural Australia, club participation rates have been shown to be 61% higher in boys and 44% in girls than in urban areas, illustrating the importance of sports clubs to rural community connectivity.<sup>20</sup>

Sport also plays a key role in changing social attitudes. Initiatives like the NRL's 'Change Your Ways' program help educate Australians about domestic violence, while the experiences of our sports stars – from Nicky Winmar and Bachar Houli to Ian Thorpe and Jacquie Freney – help address issues such as racism and homophobia, and negative perceptions around mental health and disability.

**Exhibit 5: Case studies on sports ability to resolve social issues<sup>21</sup>****Helping the indigenous community close the gap**

*“If we are looking at how to close the gaps, we should be building on an activity which already has the passion and interest of the communities.*

*This is not just in terms of playing. I see sports as being an opportunity to be leveraged in broader capacity building.”*

Dr Bruce Hearn Mackinnon,  
Deakin University

**Supporting social inclusion of migrants**

*“Participation in structured sport is also one of the key planks of Australia’s social inclusion agenda, building the sense of belonging and civic pride that is critical for integration.”*

Patrick Skene,  
Director of Red Elephant Projects

**Changing perceptions of disability**

*“By playing blind soccer, I experience a series of challenges, recreation for my daily life, and wonderful comrades. In mastering new techniques and challenges each game through teamwork, I feel a sense of mastery, which makes me confident and proud.”*

Fukuchi, “Hope” at 10-11

And, Australia’s exceptional track-record of international sporting success enhances our international reputation, fosters community engagement and builds national pride. In a globalised world, a country’s international reputation is increasingly important. Sport reinforces ‘Brand Australia’, reflecting a “confident, creative and outward looking nation, with a strong economy and an abundance of talented people,”<sup>22</sup> and allows the Australian Government to reach more people in more countries than traditional channels have allowed. The ability for sport to signal Australia’s values and capabilities was recognised in 2014 when a whole-of-government *Australian Sports Diplomacy Strategy* was launched to advance Australia’s economic and political goals.

Together, sport creates significant value for Australia, with at least \$7 returned on every dollar expended in the sector.<sup>23</sup> This high rate of return is a combination of the benefits described above: direct economic benefits, the network of volunteers and not-for-profits, avoided health costs, and education benefits.

# 02

Trends that are impacting  
Australian sport and  
future challenges



*Australia’s rich sporting tradition, and the significant value derived from it, is under threat. A number of trends are changing how and how often Australians play sport, which will impact our future rates of participation in sport and physical activity and our high performance success. These trends also threaten many of the secondary benefits we enjoy from sport, including the education, health, economic and social benefits resulting from having an active population.*

## Trends impacting Australian sport

### Sport in schools

Despite its inclusion in the national and state curriculums, sport and Physical Education (PE) is becoming increasingly marginalised in schools. For example, only 9% of Victorian schools taught the hours of physical education mandated in the curriculum in 2012,<sup>24</sup> while a recent ACT study showed that about 60% of PE lesson time in public primary schools was spent inactive.<sup>25</sup> As a result, the proportion of school students achieving the 60 minutes of medium to vigorous physical activity per day recommended by the World Health Organisation is falling.

A number of factors have contributed to the decline of sport and PE in schools. In 2009, the Independent Sports Panel reported declining rates of teachers trained to deliver sport programs,<sup>26</sup> with only 35% of primary and 57% of secondary schools employing trained PE teachers.<sup>27</sup> Generalist teachers, especially in primary schools, often feel ill-equipped to teach PE, given PE is not often part of the general teacher-training curriculum. In addition, specialist sport support units in state education departments, that previously supported generalist teaches and provided resources, have largely been disbanded as school systems have moved to a more devolved model.

**Exhibit 1: Child physical activity and dedicated PE teacher rates in schools<sup>28</sup>**

### Primary Schools



### Secondary Schools



A number of broader trends in education have further contributed to the marginalisation of sport in schools. For example, heavier emphasis is now placed on literacy and numeracy; the curriculum is increasingly crowded, the cost of equipment, travel and teacher support is rising; and principals and teachers are becoming increasingly risk averse, especially when it comes to potential injuries from sport.

Together, this means less sport is taught and, when it is, it does not meet the minimum recommend levels for child activity. This trend is a major contributor to Australian children having lower rates of 'physical literacy' than in the past. A team at the University of Western Australia has tracked for over 30 years Australian children's 'physical quotient', a measure of physical fitness and skill levels, in one of the largest studies of its kind in the world.<sup>29</sup> Their work shows a startling decline in children's physical literacy that they attribute in part to the decline of PE and sport in primary school. Children's fitness has declined, with the average child in 2015 finishing 250m behind the average child in the 1980s over a 1.6km run, and their scores for basic physical skills, such as throwing, catching, kicking, forward rolls and handstands, have declined further than fitness levels. Together, this means the 'physical quotient' of the average child today is 10 to 15 points lower than their 1980s peers on a 100 point scale. The implications of this decline are significant, with far more Australian children reaching adulthood today without the physical literacy needed to lead an active, healthy life.



## Inactivity and obesity

Inactivity is the fourth largest cause of non-communicable disease in Australia, with 14,000 to 16,000 Australians dying directly from it each year.<sup>30</sup> Among adults globally, inactivity is now as big a killer as smoking.<sup>31</sup> For example, an ABS study states 56% of Australian adults (just above 10 million people) live sedentary or low exercise lifestyles, while the ASC's AusPlay survey suggests that 62% of Australians don't meet the levels of physical activity recommended in the Department of Health guidelines.<sup>32 32a</sup>

Among children, inactivity is also growing, linked to the decline of sport in schools, less active commuting, and changed recreational habits. For example, from 2004 to 2010, the number of year 6 students in NSW who met recommended levels of physical activity fell by approximately 30%.<sup>33</sup> Currently only 19% of Australians aged 5 to 17 years meet the recommended guidelines of 60 minutes moderate to vigorous physical activity each day.<sup>34</sup> The increase in 'screen time' contributes to this trend, with 9 to 11 year olds spending an average of 2 hours per day in front of a screen and 15 to 17 year olds spending 3 hours.<sup>35</sup> With fewer children learning the habits of an active life, the proliferation of desk-based work, and reduction in active commuting, inactivity is tipped to grow as an issue in Australia.

While inactivity is an issue in and of itself, it is also a major driver of obesity. Australia is one of the world's most overweight nations, with almost two-thirds of adults and one-quarter of children overweight or obese.<sup>36</sup> If current trends continue, the proportion of overweight and obese children could reach 33% by 2025, while overweight and obese adults is forecast to hit 67% and 74% for women and men respectively.<sup>37</sup> This equates to an additional 4.1 million adults and 0.6 million children who will live with the health and social challenges associated with obesity, including greater risk of heart disease and type II diabetes, as well as lower confidence and lower academic performance.<sup>38</sup> If nothing is done to curb the growth of obesity, one study predicts Australia will face \$88 billion of extra health and social cost over the next 10 years.<sup>39</sup>

## Demographic and social changes

Over the next 20 years, Australians will become older, more time-poor and more ethnically diverse – all with consequences for the sports landscape. For example, by 2036 there will be one-third more Australians over the age of 65.<sup>40</sup> Currently only 27% of Australians over 65 participate in sports related activities.<sup>41</sup> If this large and growing cohort of older Australians is to remain healthy for longer, there will need to be an expansion of sport and physical activity products tailored to the needs of an older population.

Australians' free time is also declining steadily. People spend longer at work and there is a greater proportion of dual-income families. For example, a recent survey found 46% of people are now expected to work longer hours, with the average full-time worker doing six hours of unpaid overtime each week.<sup>42</sup> Australians now have less time for recreation and spend less of their recreation time being physically active. Traditional sport formats that take several hours and require a multi-week commitment are poorly suited to this time-poor world. Without new formats, sport will likely lose share in the competitive recreation market, especially as individual fitness and screen-based entertainment grows in popularity and as Australians grow wealthier.<sup>43</sup>

Today, Australia celebrates its rich cultural diversity with 29% of Australians having been born overseas.<sup>44</sup> This proportion is expected to rise to 34% by 2036,<sup>45</sup> with much of the next wave of migration expected to come from Asia, the Middle-East and Africa – regions with new sporting and cultural traditions.<sup>46</sup> Sport has a unique ability and opportunity to embrace new Australians and, in doing so, to build stronger communities. This will become an increasingly important priority for sports and they will need to expand their offerings and pro-actively connect with these new groups.

**Commercialisation of sport**

Sport is becoming increasingly professional and commercial. However, the winnings from this trend are being shared unevenly. The CSIRO 2013 report on *The Future of Australian Sport* showed how three, largely male, sports – AFL, NRL and Cricket – now dominate TV exposure, accounting for more than half of all televised sport. By contrast, Olympic sports and other Australian ‘foundation’ sports receive very limited TV exposure outside the Olympic Games and major international championships.

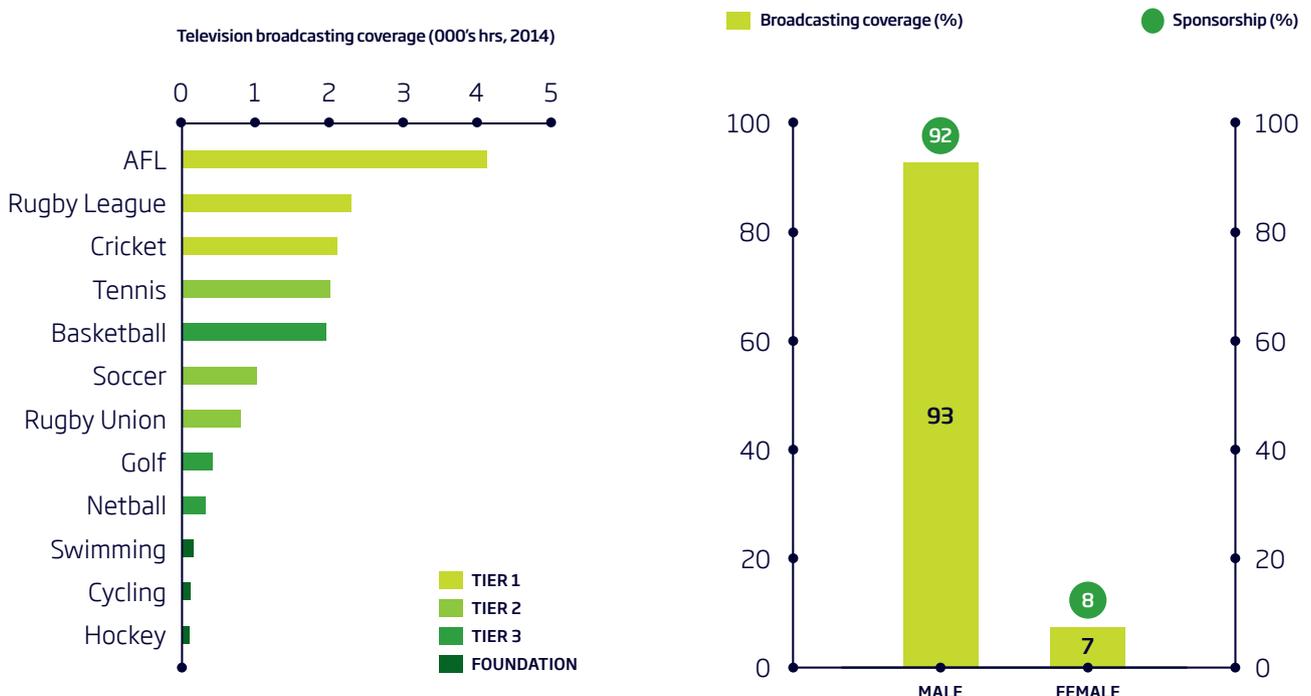
The recent round of rights negotiations have resulted in the big commercial sports receiving more than \$4 billion for multi-year TV-rights deals<sup>47</sup> – a 60 to 150% increase since the last round of rights negotiations. The success of the big commercial sports significantly increases their financial strength, given the extra flow-on benefits on sponsorship and exposure to future fans and participants.<sup>48</sup> By contrast, most other sports are experiencing flat or declining TV exposure and rights deals, with the media coverage of women’s sport, for example, falling from 11% of total sports coverage to 8.7% over the past decade.<sup>49</sup>

This two-speed trend in the commercialisation of sport is expected to continue, with significant knock-on effects. Greater wealth by some sports will allow them to attract a growing share of participants and future fans, adding further to the commercial attractiveness of these sports. Smaller sports – many of which have high female participation and contribute to our international sporting success – will be increasingly squeezed out, with potentially negative impacts on the diversity of Australian sports sector.

**Exhibit 2: Distribution of TV broadcast coverage across sports<sup>50</sup>**

*Television airtime is dominated by commercial sporting codes*

*Strong correlation between broadcast volume and sponsorship revenue*



### Investment by competitor countries

International high performance sport is becoming increasingly competitive. Many of our competitor countries have recently replicated and surpassed Australia's innovation and investment of the 1980s and 1990s. Countries such as Germany, China, Japan, and the Netherlands are investing heavily in high performance programs and improving athlete training and development on and off the field. New national high performance centres are complemented with the latest coaching and sports science innovations, for example using real-time data monitoring.

Australia's levels of high performance funding are now well outside the top 10 and spread over more sports and more athletes than other relatively small countries (e.g. The Netherlands and New Zealand).<sup>50a</sup>

Many of these countries are now sourcing funds to invest in sport from outside government. Germany, South Korea and Japan have recently launched sports lotteries, while New Zealand launched 'Black Gold', a philanthropic program to tap into the patriotism of wealthy Kiwis living in New Zealand and overseas. The UK has used the national lottery to fund high performance sport since the 1990s, with more than half the funds for the London 2012 Olympic Games sourced via the lottery.<sup>51</sup> More recently, they have also introduced a 'sugar tax' on sugary drinks, which is estimated to raise the equivalent of \$1 billion to fund school sports programs and help curb the UK's obesity challenge.

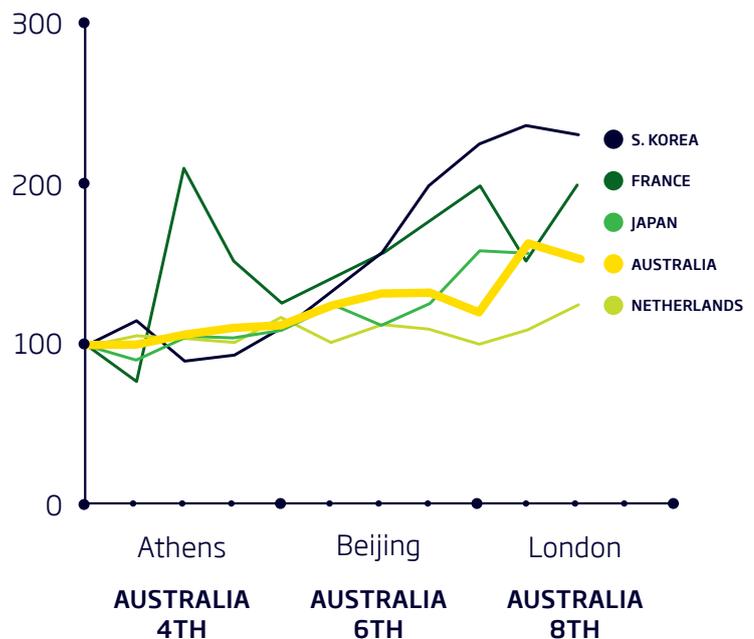
### Exhibit 3: The rising cost of international high performance success<sup>52</sup>

Other nations have used non-gov't funding sources...

-  Private sector funding driven by USOC (broadcasting), Uni. Pooled into HP
-  National Lottery provides 54% of total HP funding
-  National Lottery established in 2014 to fund HP sports
-  Philanthropy via BlackGold initiative established in 2014; National Lottery also used<sup>1</sup>
-  Provides 86% of total HP funding
-  Sports Lottery (toto) funds both HP & Participation

...to grow their HP funding pool.

Elite sport expenditure (Indexed, real)



As a result, the international playing field is more competitive than ever, as the funds invested by other countries rise significantly. Currently, Australia's high performance sport funding,<sup>53</sup> is outside the global top 10 and includes limited sources of non-government revenue. With Asian and Middle Eastern countries aggressively expanding their high performance sporting capabilities, renewed investment from our traditional European competitors, and continued strong investment by the USA and China, the investment and effort Australia will need to deploy to achieve continued international success is rising rapidly.

### New technology

Like most sectors, sport is being transformed by technology. Social technologies have created online sports communities outside traditional club structures (e.g., Runkeeper, Strava). Fitness tracking technologies (e.g., Fitbit, Jawbone) support broader individual fitness and wellness trends by making it easier for people to access training support and track their fitness performance (e.g., speed, endurance), outside formal sport and coaching structures.

Many of these technologies have their roots in, and support, high performance sport. As fitness tracking has become commonplace at all levels sport, the application of technology and use of data in high-performance sport has reached new frontiers. Integrated athlete management systems allow coaches to capture data in real time and continually modify training programs in response. Video analysis and biometric feedback using smart phones and tablets have also increased the accuracy and timeliness of coaching interventions to improve technique, maximise fitness and prevent injury.



### The structural challenges impacting sport's ability to adapt

Together, these trends are rapidly changing the environment in which sport operates and placing pressure on the sector to change. However, the sector faces a number of structural constraints as it is organised today that weaken its ability to adapt.

The Australian sports system is highly fragmented, with multiple different types of players involved at multiple levels. For example, government is involved at all tiers, in varied ways. The Commonwealth Government is involved in high performance sport, supports National Sporting Organisations (NSOs), and drives some national participation, governance, integrity, and policy programs. The State Governments each have different models of support, typically focused on high performance via the State Institutes and Academies of Sport (the SIS/SAS network), State Sporting Organisations (SSOs), major sports infrastructure, and some policy programs. And, Local Government manages community sports infrastructure and provides some support to local clubs and programs. Across the tiers of government, this support is not delivered in a coordinated manner, with no clear delineation between national, state and local responsibilities nor agreed goals and metrics.

Sports organisations have a similar federated model with bodies at three if not four tiers. Within sports, this creates a high potential for misalignment between NSOs and SSOs, inefficiencies as national and state bodies replicate functions, and challenges for end-to-end sponsorship and other revenue arrangements. It also results in foundation sports especially being run by a large number of small organisations, each too small to have the scale to compete with the commercial sports (e.g., in marketing, product development and sponsorship) and to have the capabilities to adapt to the changing environment (especially using technology and data).

While it is unrealistic to prescribe a single model or a 'one size fits all' system of governance to all Australian sporting organisations, it is incumbent upon sports to ensure they have efficient business models and effective governance. There are examples of sports that have moved towards a more coordinated or single management model achieving more sponsorship and operational scale. For example, Netball Australia has more than doubled its sponsorship over the last 10 years under its newly aligned single management model and rolled out a number of successful new products nationally.<sup>54</sup> However, most smaller and non-commercial sports in Australia still face serious sustainability threats and lack the technology, coordination and scale, needed to attract sufficient sponsorship and non-government revenue.

## Challenges facing Australia's sporting future

*Without change over the next 20 years, Australian sport will feel the impact of these trends at all levels, including on participation rates, our sports organisations, and our ability to succeed on the international playing field. It is likely to become increasingly difficult for Australia to maintain, let alone grow, the many direct and indirect benefits enjoyed today as a result of our sporting tradition.*

### Participation

If today's trends continue, adult participation in sport could fall by around 15% by 2036.<sup>55</sup> Young adults are predicted to experience more significant declines – particularly young women – due to a combination of a less active childhood, an absence of free time, and insufficient flexible and appropriate sporting options.

Child participation rates are predicted to be largely protected in the short term as some sports develop modern, fun products (e.g., Auskick, NetSetGo) to attract the next generation of players and fans. However, the number of sports able to create attractive offerings that can compete with the big, commercial sports is expected to decline, with medium term implications on female and lifelong participation. In the long term, as these trends play out and obesity rates rise, it is expected that reduced participation by parents will have the flow-on effect of reducing sports participation in Australian children.

Increasing sports consumption is predicted to drive broadcasting deals to new heights, and further increase the wealth gap between a select group of professional sports and the broader sports landscape, contributing to a reduction in the diversity of the Australian sports landscape. An increasingly concentrated sector will likely be dominated by the commercial sports, which focus disproportionately on young men and with lower adult participation rates. People from low socioeconomic backgrounds, migrants, the elderly and young women are also expected to be increasingly underserved by sport, as seen today.

### Sporting organisations

A lot of sports are facing flat or declining participation rates. This decline in the community club and league system is predicted to drive a large and permanent loss of social capital. Volunteer numbers will fall, impacting the operational and financial viability of the sector. With fewer participants, competitions will become weaker and unsustainable – with acute impacts on rural communities in particular. And, the fall in revenue and funding will mean facilities decline and sport becomes less attractive in the face of competing forms of entertainment.

### International high performance

With the cost of international success increasing and rates of sports participation predicted to fall, in the medium to longer term, Australia's international performance will lose ground. Modelling suggests Australia's international standing will slip further, from 10th at the Rio 2016 Olympic Games to outside the top 15 by 2036. As Australia has witnessed previously, when high performance wanes, it takes significant time and money to rebuild. For example, it took a quarter of a century and six Olympic cycles to rebuild Australia's Olympic performance from the poor performance of the 1976 Montreal Games (no gold, 1 silver and 3 bronze medals), to our 4th position in Sydney 2000 (16 gold, 25 silver and 17 bronze medals).<sup>56</sup>

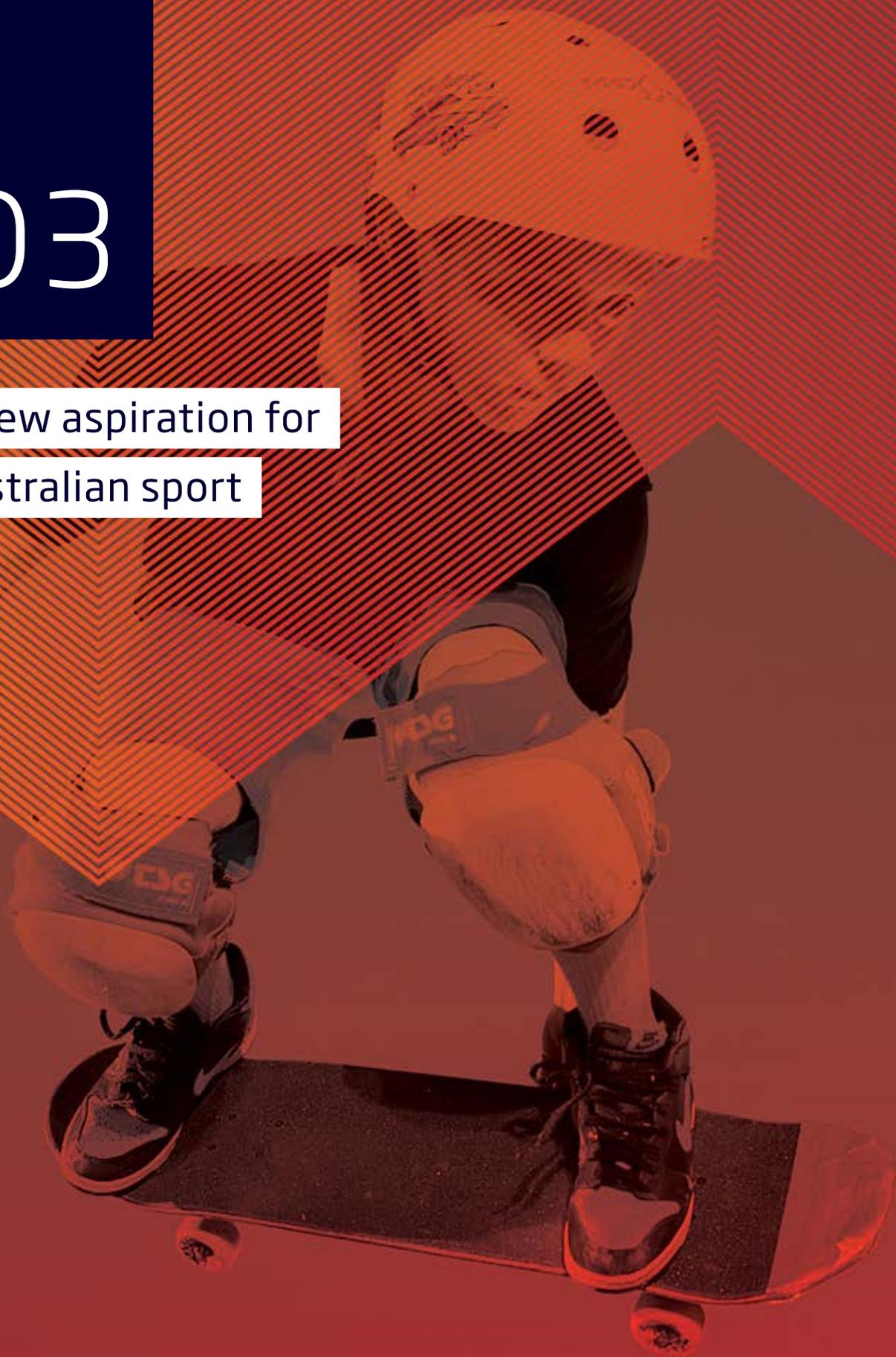
As our competitiveness falls, the proprietary coaching and sports science knowledge that has provided Australian athletes with a competitive edge may be lost. With high levels of international demand, there is a risk that our best coaches, sports scientists and administrators are being attracted overseas where there are greater opportunities and funding.

Together, this decline in the sports sector that is predicted if today's trends continue will have a material impact. If Australian sport continues in its current direction, the benefits derived from participating in sport are predicted to fall by \$7 billion per annum by 2036, given poorer health outcomes, lower workforce productivity, and weaker educational performance.<sup>57</sup> The return enjoyed by Australia from money spent in the sports sector is predicted to decline, with a rise in the return on sport as entertainment masking a large decrease in the return from participation in sport. Without action, Australia will transition from a nation of active sports participants to a nation of passive sports consumers.



03

A new aspiration for  
Australian sport



The challenge that Australian sport faces can be met through a pro-active and coordinated effort. Central to this is the need to agree on a new aspiration to galvanise the sector into action and create a shared vision for the future of Australian sport. The new aspiration proposed for Australian sport in 2036 is:

*For Australia to be the most active sporting nation, known for its integrity, thriving sports organisations, continued exceptional international success, and a world-leading sports industry.*

This aspiration has four sub-components, including some ambitious goals:



**To become the most active sporting nation, with more people participating in sport, more often and throughout life.** This involves setting ambitious goals to increase participation, first by ensuring 100% of primary school children participate regularly in sport (or physical activity like dance), given the importance of teaching active habits and physical literacy early in life, and then raising participation in older age groups to 85% of 12-24-year-olds, 70% of 25-44-year-olds and 65% of over 45-year-olds. This represents approximately an additional 1 million children and 5 million adults playing sport by 2036.<sup>58</sup> Achieving this aspiration requires significant support from the education system at primary, secondary and tertiary levels. It also requires sport to seek out new participants, especially from groups currently under-represented, such as lower socio-economic groups, people in specific age cohorts where participation rates currently drop off, and indigenous and some new migrant communities.



**To create thriving sports organisations that contribute to strong, more inclusive communities.** This involves ensuring we have world-leading sports organisations, clubs and leagues that offer fun, flexible and modern sports products that suit the needs of all Australians, as well as support elite pathways. Our sports organisations must also continue to attract talented individuals to administer sport, grow the volunteer base from 8% to 10% of Australians, and have greater financial sustainability, with diversified funding and less than 50% of revenue from government.



**To ensure continued international success in the sports and events that are important to Australians.** This involves strengthening our high performance systems to ensure we continue to out-perform versus our size, in the domestic and international events that matter to Australians. It's about ensuring the ambitious targets of *Australia's Winning Edge* are achieved over a sustained period such as improving our Summer Olympic performance from 10th in Rio to a top 5 place by 2036.



**To build a world-leading sport industry with an increasingly important role in the Australian economy.** This involves growing sport's contribution to Australian GDP, exports and foreign direct investment, and increasing the percentage of the workforce employed by the sector. This also involves expanding the sports products and expertise we export, especially to the growing Asian market, while ensuring domestic sporting events generate a sustained commercial return, tourist inflow, and participation boost, while also supporting high performance goals.

04

Five steps to achieving  
the new aspiration



*To achieve this aspiration and steer Australian sport in a new direction, all parties involved in the sector must work together to drive sustainable change on several fronts. Five major areas of activity have been identified, including a small number of “game changers” in each that together can fundamentally shift the direction of Australian sport and ensure the many benefits derived from sport are enhanced into the future.*

## Becoming the most active sporting nation

With Australians living longer and rising rates of inactivity and obesity, it is more important than ever for Australians to be fit and active. To become the most active sporting nation we will need a concerted and coordinated approach to increase participation in sport and physical activity across all age groups. We must embed early in our children the habits of an active life and then support continued participation and activity among older children and adults of all ages.

### Drive sustained participation growth among all Australian via sporting organisations

Sports organisations – at national, state and club level – have a major role to play in increasing and sustaining participation in sport and physical activity. Sport is a potentially powerful tool to combat the rising epidemic of inactivity and obesity. It is a fun and popular way to be physically active, delivered through a cost-effective network of clubs that already exists in communities across Australia that build social linkages that support sustained involvement.

A number of specific actions are recommended to take advantage of this existing resource and boost participation via sports organisations in a way that targets the challenges seen in today's participation trends. Most critical is to ensure primary-school aged children, aged from 5 to 12, participate in sport. Hence, the aspiration is to increase regular sports physical activity participation to 100% amongst this age group. While schools are central to achieving this aim, national and state sporting organisations and sports clubs have an equally important role to play.

Some sports have successfully modernised their offerings for young children. AFL's AusKick, Netball's Net Set Go and Tennis' Hot Shots programs are examples of highly tailored and professional products that provide fun, age-appropriate games for young children and a clear pathway into the sport. These products have been very popular, with the number of children entering AFL via AusKick, for example, increasing by more than 20% between 2000 and 2012.<sup>59</sup>

These types of products have set a new standard for entry-level sports offerings, with sports that have not modernised their offering seeing declining child participation rates. An immediate step is to expand the modernisation of entry-level products to all sports, so as to ensure we maintain diversity in the sports sector and provide a broad choice of sports to children, especially including sports that support prolonged and life-long participation and opportunities for girls.

We also need to expand the participation rates of groups that are currently under-represented. Despite the success of the new sports products, there has not been a net increase in total sports participation among children, with children's participation in organised sport remaining flat at 60% for the past decade according to the ABS.<sup>60</sup> The growth in participation in new sports products has largely come from participants in other sports, rather than from growing the total proportion of children participating in organised sport. Adult activity levels have also remained flat, with participation in organised sport falling slightly over this period.<sup>61</sup>

To attract persistently under-represented groups, new and targeted offerings will need to be developed, in conjunction with interventions that remove the barriers to certain sub-groups that consistently do not participate in sport. Examples of specific actions required and existing programs that are having some success in achieving this goal include:

- > **Making sport more affordable for low income families:** E.g., 'Sports libraries' in South Australia allow people to borrow equipment to reduce the cost of participation.<sup>62</sup>
- > **Making sport more accessible to migrant groups:** E.g., the Bachar Houli Academy has introduced more than 5,000 Muslim school students to AFL across the country through a combination of school visits, targeted competitions and events.<sup>63</sup>
- > **Making sport more attractive to women:** E.g., VicHealth's \$1.2 million 'Changing the Game' program was launched in 2015 to increase female participation and led to the launch of a series of female-focused programs across the major sporting codes, including Social Spin (cycling) and Coasting (surfing).<sup>64</sup>

Among older children and adults, we must also reduce the drops in participation that occur at known points, such as in the teenage years, at the end of school, in early adulthood. There are a number of ways in which this can be achieved and some successful examples to learn from:

- > **Creating more flexible, social sports offerings** that provide fun, non-competitive pathways for recreational participants and that expand options for children not interested in elite pathways and adults that want to continue their participation, such as Rock Up Netball.
- > **Improving the interface between sports organisations and schools, universities and TAFE colleges** to maintain participation at these major life transition points, such as via the University of Sydney's sports clubs that play the dual role of student and community club and provide grassroots to elite options.
- > **Developing new low time-commitment offerings** with a strong fitness component, such as the AFL's group fitness workout AFL Active, VicHealth's online exercise program MoveMyWay and Tennis' Cardio Tennis program.
- > **Introducing incentives to encourage sports participation** including via tax concessions or rebates for, for example, sports club memberships and for sports equipment, as has been done in other countries like the UK, and in some states in Australia.

### Fully integrate sport into relevant government policy

To achieve our aspiration of becoming the most active sporting nation, multiple parts of government must ensure that sport is appropriately included in relevant State and Commonwealth Government policy. Doing so will support the achievement of Australia's broader policy objectives, as well as our sporting aspiration. This is especially the case in education and health policy, where sport can play a significant role supporting the achievement of the broader aims in these portfolios (see Game Changers boxes).

## GAME CHANGER: EMBED SPORT IN THE SCHOOL DAY FOR EVERY CHILD

To boost child participation, as well as realise broader education objectives, we must re-embed sport in the school day as a core part of a balanced education. This is essential given the major health and wellbeing benefits from sport, the growing threat of childhood inactivity and obesity, and, importantly, the compelling evidence that shows that sport and physical activity in schools improves cognitive development, academic performance, retention, and learning of life skills.

To put sport back on the agenda in schools, Commonwealth and State education departments, with the support of the ASC, must undertake a number of actions, including:

- > Raise awareness of the importance of child fitness, movement, and sport skills development (i.e., physical literacy) to parent and other groups;
- > Ensure the mandatory sport and PE components of the curriculum are taught in all schools, especially given time spent doing sport and PE is as important as the outcomes derived from it;
- > Monitor the frequency and quality of PE and generic sport skill teaching in schools through Sample Assessments to report on students' physical literacy development;
- > Expand Sporting Schools style programs in primary schools and to secondary schools, increase the teacher support component, and integrate with NSOs and club structures and integrated with pre and after-school care programs;
- > Improve teacher capability by including sport in teacher training, providing a central repository of easy-to-use, low-cost resources that focus on generic skill development and are mapped to the curriculum, and helping to create a safe environment for kids to play;
- > Ensure teachers are incentivised to take time outside the classroom to teach sport; and
- > Ensure school sport facilities are integrated with the broader communities, e.g., by increasing community access to school infrastructure and planning co-located new school and community facilities.

However, sport can also be an effective tool to achieve social and community outcomes. A number of examples highlight sports ability to support broader policy goals:

- > **Programs with marginalised youth and to reduce criminal behaviour:** Sport has a long history of being effective at reintegrating marginalised youth into society. In Redfern in Sydney, the Aboriginal community and local Police credit a boxing program with a major reduction in robbery and related crime.<sup>65</sup> In the UK, a sports-based program in the UK achieved 30% lower rates of reoffending than the UK national average.<sup>66</sup>
- > **Diplomacy activities to enhance Australia's international reputation:** In 2015, the Department of Foreign Affairs and Trade launched the *Australian Sports Diplomacy Strategy 2015-18* in recognition of sports increasingly important role in diplomatic practice and its ability to "showcas[e] Australia's identity, values and culture... [and reach] broader audiences than traditional diplomacy activities allow."<sup>67</sup>
- > **Campaigns to raise public awareness about social issues:** Sports stars and sports events are frequently and effectively used to raise public awareness about issues ranging from violence against women (e.g., The White Ribbon's Campaign with NRL) to racial tolerance (e.g., AFL's indigenous round), as well as to fundraise for charitable causes (e.g., the 'pink cricket test' in Sydney to raise funds for breast cancer care).

The ASC has a role to play to work with governments and sports organisations to identify opportunities for sport to play a greater role in supporting the achievement of broader social and policy goals, which will also have the additional benefit of enhancing participation.

## GAME CHANGER: SIGNIFICANTLY EXPAND THE USE OF SPORT AS A PREVENTATIVE HEALTH LEVER

To ensure a coordinated response to Australia's inactivity and obesity epidemics, the State and Commonwealth departments of health should establish a central group to determine where and how to encourage physical activity and sport across Australia. The group should establish priorities for intervention, and develop a coordinated response between health departments and their delivery partners including state education and sport and recreation departments, the ASC, and sporting organisations. An initial priority would be to raise public awareness of the dangers of inactivity and provide clear guidelines on the levels of activity required for healthy living, with a particular focus on engaging influencers such as medical workers, teachers and parents, as well as sporting leaders.

The groups would work with delivery partners to identify and develop initiatives that support child sports participation and physical activity in adults, such as:

- > **Voucher systems:** The KidSport voucher system in Western Australia has helped 40,000 children join sports clubs since 2011, 50% of whom would not have participated without this support.
- > **Tax incentives:** The UK Cycle to Work Scheme provides tax deductible bicycle purchases and has attracted 600,000 participants, of which 87% noticed a health benefit.
- > **Private sector incentives:** Private health insurers in the US are offering premium discounts to members who walk 10,000 steps a day (measured with fitness trackers), with rewards recently announced in Australia by certain funds.
- > **Targeted sport programs:** Swimming 365, a 10-week swimming program led by Diabetes WA, Swimming WA and the University of Western Australia, has been highly effective at improving the health, fitness and diabetes management of people with Type 2 Diabetes.

## Developing thriving sports organisations

The Australian sports landscape is complex for a nation our size – it is a fragmented network of public and private sector, and not-for-profit organisations and individual contributors working towards a diverse set of goals. This lack of alignment ensures that a proportion of the \$12 billion spent in the sector each year is used less effectively than it could be, given duplication and the costs of coordination, and a large number of sub-scale organisations.

### Agree a shared vision for sport in Australia and create a more cohesive sector

The fragmented nature of the sports sector and its lack of alignment can be mitigated to some extent by the creation of a shared vision for the sector, supported by clear metrics. Tourism, for example, has shown that it is possible to unify a complex network of public and private, national, state and local stakeholders around shared goals. The industry-led *Tourism 2020* vision is a national long-term strategy that aims to ensure “the whole of government working with industry to achieve Australia’s tourism potential”.<sup>69</sup> Its goal is to increase tourism spending, including total spend per night, with an overall target of A\$140 billion in 2020. The benefits of this approach have been significant: government commitment to the strategy has outlasted multiple changes in government at State and Commonwealth levels; coordination has improved within the sector, including having a more coordinated approach to planning and marketing Australia; and the strategy is credited with the recent growth in aviation access and hotel beds.

To unify the sports sector, we must create an equivalent sector-wide vision and strategy for sport that is supported by clear metrics and builds off the aspiration in this document. The ASC should use its unique position to work with the sector to lead the development of this overarching vision and strategy, with the support of a cross-section of representatives from the sector to gain input from and ensure alignment between the varied stakeholders and organisations. Clear metrics and targets must be developed to give the sector clarity around the priorities and outcomes that will deliver the most value to Australia. Within participation, the metrics and targets should consider participation by gender, socio-economic, and ethnic background so all Australians are accessing sport. Within high performance sport, there should also be greater clarity about the roles, responsibilities, and priorities of national, state and local bodies and how the contribution of each fits together into a single, efficient system.

### Foster stronger and more sustainable sports organisations

The ASC must work to strengthen Australia’s sporting organisations, particularly in ‘foundation sports,’ to improve their capability, coordination, and commercial viability, especially in light of the growing sophistication of our commercial sports and increasing competition from other forms of recreation (or inactivity).

With many of Australia’s sporting codes still managed via traditional governance and federated models, significant gains will be made by moving sports towards single management models that increase coordination, alignment and scale (see Game Changer box).

Another immediate priority is to expand governance reforms to all states and to the club level in order to boost the capability and leadership of sporting organisations at all levels. Consistent adherence to the ASC’s and states’ governance requirements and National Integrity of Sport Unit policies must also be monitored across all levels of sport, and be a prerequisite for future government funding. The public should also be provided greater visibility of the performance of an organisation, such as via a health check that displays the organisation’s performance on topics like governance, integrity, diversity, and lifelong activity goals.

## GAME CHANGER: REFORM SPORTS ORGANISATIONS TO INCREASE SUSTAINABILITY AND COORDINATION

Many Australian sporting codes are run via a fragmented network of national, state, local, and sometimes regional bodies, with an array of differences in how they operate. As participant and sponsor expectations rise, sports must ensure a more consistent and professional offering is provided by all clubs and states – or face the possibility of declining participation and relevance as players and funders go elsewhere.

The ASC must work with NSOs to support the move towards single management models that guarantee the alignment of all tiers of the sport around the strategy, programs and products, major commercial arrangements, and culture and that are supported by effective governance models. This will allow sports to be managed end-to-end – from the elite stars to grassroots participants – whether from a sponsorship, program or pathway perspective. It will also facilitate sports' ability to respond quickly to threats and opportunities, create greater operational scale, and increase their attractiveness to sponsors.

Sports that have reformed are thriving. Netball Australia has more than doubled sponsorship in the past 10 years and can launch new products, such as Net Set Go and Fast 5s, quickly and consistently across their national club and private provider networks. Sailing is undergoing a third stage of reform, developing a national shared service model for corporate services, aggregated marketing and communications, and streamlined national and state management.

Closer integration should not end *within* sports. There is significant opportunity to increase coordination between sports by sharing resources in critical skill areas where individual sports do not have the scale to house the suite of capabilities required to be successful. Critical skill areas include volunteer and membership management, data and technology, and marketing, consumer trends, and sponsorship skills. An immediate priority for the ASC could be to negotiate supplier contracts in insurance and technology services for the sector – two areas that represent major costs and opportunities for significant savings.

### Achieving outstanding international success

Without action, Australia's international performance and standing in the longer term will decline. Remaining well inside the Olympic top 10 will be very challenging. If Australia is to remain committed to being a high-performing, internationally-regarded sporting nation, it will require sustained funding and innovation over the next 20 years to keep pace with increasing investment and professionalism among competitor countries. It will also require management of the ongoing trade-off between meeting medal targets and maintaining diversity in Australia's international high performance system given funding constraints and the broader high performance strategy.

#### Further modernise and coordinate the international high performance system

To meet our aspiration of being internationally successful in the sports and events that matter to Australians, we must improve the effectiveness and coordination of our international high performance system. This is especially so given the ambitious target of being Top 5 at the Summer Olympics and Paralympics, which is in line with our tradition and future aspiration of punching above our weight on the international sporting field.

The Australian high performance system must be further strengthened. The current SIS/SAS network is loosely coordinated, creating duplication of effort, and inefficiencies between institutes and academies. The AIS Canberra campus, one of Australia's most important sporting assets, could be better utilised by a number of sports, given the expansion of athlete delivery in the SIS/SAS network and other state-based centres of excellence for each sport. This could particularly be the case for pathway athletes. Within the pathway system, sports lack a consistent approach to high performance athlete development, with diverse coaching approaches and levels of quality present at different centres and stages of the talent pathway.

The ASC, with the AIS, must create a unified national high performance system that identifies and develops our best international athletes in a coordinated and optimal way. Details of how Australia's high performance and AIS strategy will be refined will be released after the AIS has completed its review of the current *Australia's Winning Edge* policy, taking account of performances at the Olympic and Paralympic Games, in line with its four-year review process.

### Optimise athlete development pathways in the international high performance system

The ASC with the AIS, the states and the SIS/SAS network, and the NSOs and SSOs must work more closely together to identify and develop future athletic talent and maximise its potential across the high performance system. Given the growth in participation driven by this strategy, Australia will have more children and young people playing sport and have a larger talent pool to draw from. Maximising talent will require a number of actions:

- > **Continue to invest in talent identification**, by nurturing talented athletes within sports, as well as identifying talented children who do not participate.
- > **Strengthen coaching capability and culture** by investing in coach development pathways, standardising coaching philosophies, accessing the best local and international coaching talent, and ensuring our children and athletes receive high quality and safe coaching.
- > **Optimise the daily training environment for emerging and elite athletes**, within the high performance system, including the quality of the venue and the co-location of support services.
- > **Expand athlete wellness and injury prevention efforts**, including via athlete management systems, to develop individual training plans and ensure we protect the health of our athletes and longevity of their sporting careers.

In all these areas, system coordination, quality and consistency would be maintained by the AIS, in its redefined role as Australia's high performance strategic agency. These issues will also be considered as part of the ASC's review following the Olympic and Paralympic Games.

## Creating a world leading sports industry

With Asia's growing middle class looking for new forms of entertainment, sport is booming on Australia's doorstep. With its reputation as a genuine world leader in sport, Australia is a highly desirable partner for countries seeking to develop local sports systems. As outlined in Australia's sport diplomacy strategy, initiatives are underway to capture this opportunity within the Indo-Pacific region, including:

- > **Sports Innovation Australia:** A seed funding program to establish sport education, business and science initiatives for export by members of the Australian sports industry.
- > **Sports Memorandums of Understanding:** Government-to-government sports agreements to advance Australia's capabilities in sport-related fields and promote collaborative relationships with high-potential countries.
- > **The Sports Integrity Program:** Cross-nation collaboration to develop consistent and effective approaches to sports doping, match fixing, and corruption.

Despite its size and importance to Australia, the sport sector is not set up to capture these opportunities. It lacks a unified voice, affecting its ability to create a coordinated offering of the scale required by major countries such as India. Sports organisations are also domestically focused, without the skills and capability required to expand internationally.

The ASC, CSIRO and Innovation Australia need to play a role in increasing the international readiness of our sporting organisations, and the commercial potential of Australian sport products and services. One option is to investigate a Silicon Valley-style innovation hub at the AIS to draw leading researchers and companies together from around the world. Government agencies that can help to market these products to the world include:

- > **Austrade** by increasing trade links and export opportunities for Australia's sport sector into growing Asian markets, and attracting private investment into professional clubs;
- > **Tourism Australia** by increasing international exposure to Australian sport with a coordinated sport tourism strategy; and
- > **The Department of Foreign Affairs and Trade (DFAT)** by providing overseas context, engagement and in-country support.

## GAME CHANGER: CREATE A UNIFIED NATIONAL STRATEGY FOR HOSTING MAJOR SPORTING EVENTS

Hosting international sporting events is an important part of achieving the aspiration for Australian sport. When delivered well, these events boost Australia's reputation as a professional, organised and attractive place to do business. The Asian Cup Final, for example, was televised to 800 million people globally, and raised sports fans' awareness of Australia as a tourist destination more effectively than any direct marketing campaign.

However, hosting these events carries significant risk. The Athens and Sochi Olympics overran their budgets and failed to deliver the expected flow-on benefits to their economies. Even post-event analysis of the well-regarded Sydney Olympics showed limited tourism benefit and a direct economic loss from hosting the games.

A greater level of control and use of best practice could be applied to the bid process for major international sporting events. A Major Sporting Events Taskforce of the Office of Sport, the ASC and Tourism Australia should jointly develop a strategy, bidding framework and review panel for major international sporting events, working with States, Territories and the sports sector. The AIS should also work with the sports to identify event opportunities that would enhance the sports' high performance outcomes by having 'home events' (e.g., World Cups etc.).

This group would evaluate the net benefit to Australia of hosting an event in consultation with the relevant State and Local Governments and sports. The infrastructure, administration and hosting cost would be compared to the broader benefits to Australia, with priority given to events that:

- > Leave an ongoing legacy in areas such as trade, tourism and investment;
- > Support Australia's high performance and help achieve our high performance targets;
- > Contribute to our international sports diplomacy goals;
- > Maximise the use of existing high performance infrastructure;
- > Have the potential to deliver a significant participation uplift; and
- > Are led by a well-resourced, highly capable team, including within the sport.

## Strengthening the foundations: investment, intelligence, infrastructure

To underpin this aspiration for Australian sport, the critical foundations upon which the whole sector depends must be strengthened. In particular, the sector will need to:

- > **Increase the magnitude and impact of sports funding** especially from new and non-government sources;
- > **Improve data and technology use**, to drive participation and high performance outcomes; and
- > **Ensure the quality and availability of sports infrastructure**, especially at a community level, by working with state and local governments.

### **Investment: Increase the magnitude and impact of sports funding**

The cost of delivering community-based sport and achieving international success has steadily increased around the world. Other countries have responded to this challenge by accessing new funding sources, and reducing their dependence on fiscally constrained governments.

Australian sport is no different. The sector needs to diversify its sources of funding and target this funding far more effectively in the future.

First, sporting organisations need to continue to develop attractive value propositions, including national sponsorship opportunities within and across sports, which demonstrate a clear return on investment for sponsors. This is typically more easily done with single management models that provide end-to-end access to a sport.

Second, the ASC needs to work with sporting organisations to align participation goals with priority outcomes in education, preventative health, and community inclusion (e.g., reduced criminal reoffending, supporting marginalised youth). Sport is a high-potential channel for delivering government policy and, by aligning goals and establishing sport as a preferred delivery mechanism and sports organisations as a preferred delivery partner, sports organisations will access new funding sources to grow participation and create wider value for Australia.

## GAME CHANGER: CAPTURE SIGNIFICANT NEW NON-GOVERNMENT SOURCES OF FUNDING

Non-government sources of funding are an increasingly important contributor to the funding of global sport. 54% of the UK's high-performance funding in 2012 was supported by a national lottery, while New Zealand uses a combination of philanthropy (international high performance) and lottery (participation) to support sport across the country.

The ASC should immediately explore the viability of a national sports lottery, and expand current, and develop new, philanthropy programs for wealthy Australians to give back more easily to Australian sport (independently or in partnership with the Australian Sports Foundation). There are already excellent if limited examples in Australia of sports philanthropy, such as the The Georgina Hope Foundation's donations to support swimming, synchronised swimming, volleyball and rowing. However, philanthropic donations to Australian sport significantly lag international best practice.

Sport gambling is already regulated such that domestic activity contributes to state budgets, as well as the major commercial sports through negotiated product fees. Despite this, other potential opportunities to leverage wagering on sport should be explored. This may include an advertising tax or improved access for smaller sports to product fees. A review of gambling, including legal, in-play, and illegal offshore gambling on sport, has recently been conducted by the Commonwealth Government. This review has re-committed the Government's position to prohibit online in-play wagering. If this position is revisited in the future however, any new levy on international gambling on Australian sport should especially fund efforts to combat integrity issues and to foster grassroots and high performance sport.

Once captured, this additional funding should be channelled back into priority areas for Australia. This would include the ASC, States and Territories launching high-value participation programs targeting under-served youth segments, supporting initiatives to increase the sector's self-sufficiency through governance reform and improved commercialisation, strengthening Australia's international high-performance system, and maintaining sports integrity.

## Intelligence: Improve data and technology use, to drive participation and high performance outcomes

Social media applications like Facebook have transformed our lives. We can contact friends from 20 years ago and bring together like-minded people with minimal effort. Australia is also undergoing a data revolution, with more and more data captured every day, and advances in analytics allowing us to identify previously inaccessible trends and insights.

Most sports are not advanced users of technology or data. Outside the top echelons of professional and international high-performance sport, the sector consists of fragmented and mainly outdated systems due to disparate buying and limited IT capability. Data integrity is uniformly poor, with major gaps and inconsistencies in the way that data is captured and used, while the decision in June 2014 by the ABS to stop tracking sports participation left Australia blind to the trends impacting sport.

The sector has an opportunity to radically improve its use of data and technology. A priority for the ASC should be to work with the Australian Sport Technology Network to develop an integrated framework for the use of technology in Australian sport. Preferred supplier relationships could be developed to create scale and interconnectivity benefits, while joint ventures and sponsorship arrangements with leading technology and data analytics providers would increase the sectors access to leading expertise.

## GAME CHANGER: BECOME A MASTER USER OF DATA AND TECHNOLOGY

### Data and analytics

The ASC should work with different sports to better capture and manage membership data and participation metrics at a local level. Initially, this should involve the national launch of the Ausplay survey, but would extend to helping NSOs and local government analyse the data, and identify underserved groups to target with programs or infrastructure.

In high performance sport, the consistent use of athlete management systems would increase the rigour and personalisation of athlete training. A consistent data driven approach to athlete identification and development by the AIS and the SIS/SAS network would increase the impact of training regimes, reduce the incidence of injury and accelerate injury recovery.

### Technology

Technology will play an increasingly important role in the future delivery of sport. Training apps and data trackers will drive professional practices into every community changing room and new technologies to support training, recovery and competition will provide our athletes with an edge.

Social networking platforms also have the potential to increase self-organised sport participation. The sport sector needs to embrace this social technology. Social sport networks like Urban Rec are in their infancy in Australia, but their impact is limited without critical mass in the network. An integrated platform that allows people with an interest in sport to identify sports opportunities, meet likeminded people and access facilities would connect the sector better, and increase self-organised participation.

### Infrastructure: Work with state and local governments to ensure the quality and availability of community sports infrastructure

Sports infrastructure spending is not tracked or coordinated in Australia. However, an estimated \$1.5 billion of public funds was spent on sports facilities in 2015, with a significant proportion of this on domestic professional facilities that contributed limited value to Australia's participation and international high performance goals, but are critical to the entertainment benefits derived from commercial sport.

In Australia, individual sports organisations approach state and local government individually for funding, and decisions are made on a case-by-case basis. Considering the sums involved, this spending needs to be enhanced, coordinated and prioritised.

## GAME CHANGER: CREATE WORLD CLASS COMMUNITY SPORTS INFRASTRUCTURE

The benefits from more coordinated infrastructure investment are significant. For every percentage point efficiency in sport infrastructure spending, \$15 million of savings can be reinvested back into high performance and participation programs. To place this into context, \$15 million would allow the ASC to increase the breadth of Sporting Schools program by 50% or more than double direct athlete support.

One option proposed that a national coordinating body for sports infrastructure is established, a sort of 'Sports Infrastructure Australia' or equivalent, but with an equal and deep focus on community sports infrastructure. It could ensure that minimum sport infrastructure requirements are incorporated into local and state government planning guidelines, urban master plans, administrative actions and incentives. It will also sit as a touch point in the development of major sports facilities to ensure that state infrastructure, education and sport departments coordinate facility (re)development across sports and user groups. The location of the coordinating body is still to be defined but could include the ASC, Infrastructure Australia, a body within state infrastructure or sports departments, or a standalone national agency.

The ambition is to increase the number of multisport hubs, which can be enjoyed by the whole community. Where possible, the co-location of facilities with schools, commercial facilities and other community bodies will be pursued to increase the long term sustainability of the centres, and introduce alternative revenue sources to pay for maintenance of the facility. Allocation of funds from state and national community infrastructure funds needs to be aligned to these investment criteria, while project funding should involve a minimum level of co-funding by the NSO, local council and private sector organisation.

Outside of new developments, the sector must increase the use and impact of its existing infrastructure. A crowd-sourced infrastructure audit will allow NSOs, and state and local governments to understand what infrastructure exists, how it is being used and identify low-cost facility solutions to fill gaps in participation.

Existing infrastructure also needs to be made more accessible, for example by:

- > **Local government ensuring green spaces appropriate for sport**, keeping parks and sports facilities open later, and increasing the walking, running and cycling friendliness of cities.
- > **Opening up school, university and TAFE college facilities for public use** during non-core hours to create much needed facilities in space constrained urban areas. This has been shown to increase youth participation in USA and New Zealand.
- > **Developing facility partnerships between schools, clubs and local government bodies** to increase facility utilisation and lower operating costs.



05

The benefits from achieving  
the new aspiration for  
Australian sport



*A clear plan to turn around the decline in Australian sport will do more than just get people out to play their favourite sport or increase the medal tally at the next Olympic Games. It will reverse the potential negative impact on our health and wellbeing, on our communities, and on our international standing, that is at risk of occurring if we do not act. Pursuing this aspiration will also strengthen Australia's sporting legacy and build a nation of active, resilient and successful Australians, driving billions of dollars of economic gains and avoiding billions of dollars of health costs that will be incurred as inactivity and obesity rise. It is a vision worth the effort.*

### The benefits in 2036 if we succeed

If we succeed at addressing the trends currently impacting sport, Australia will enjoy a number of benefits. Participation in sport will be world leading. More Australians will be playing sport than in comparable countries, with participation rates of 100% of 5 to 12 year-olds, 85% of 12 to 24 year-olds; 70% of 25 to 44 year-olds and 65% of 45+ year-olds. Australians will play sport more frequently, with a more even spread of gender, socio-economic and ethnic participation.

Economic, health, education, and community benefits from sport will have been maximised. Strong participation in sport will have done its part to address many of the policy issues that confront governments today, delivering significant benefits compared to likely outcomes if we do not take action. These include:

- > **Economic benefits:** The sports industry will be an even more important sector in Australia, supporting an incremental \$11.9 billion in economic activity every year in Australia relative to what we would otherwise achieve without action. A further \$2.6 billion of annual productivity improvements will also be realised because our workforce is more productive and engaged.<sup>69</sup>
- > **Health benefits:** More people staying active will drive a further \$9 billion annually in net health benefits by lowering the incidence of chronic disease and early mortality.<sup>70</sup>
- > **Education benefits:** More children participating in sport during their key developmental years will drive better educational outcomes for our kids and increase lifetime earnings by \$1.5 billion every year.<sup>71</sup>
- > **Community benefits:** Our communities will be stronger and better integrated, with millions of Australians volunteering their time to sport, creating a huge bank of social capital and improving community cohesion and wellbeing.

We will also be internationally recognised as having high performing sports organisations. Our local, regional and state sports organisations will be thriving due to a more strategic, co-ordinated sports sector focused on common goals that drive participation and success. Our community clubs will be financially sustainable, broad-based and underpinned by capability, integrity and efficiency. They will be more coordinated, increasing the return on spend in the sector and delivering significant efficiency benefits.

Internationally, Australia's elite sporting performance will be strengthened. 'Top 5' sporting achievements (compared with being the 12th largest economy) will enhance Australia's international reputation, and build national pride. In an increasingly competitive, global sport market, Australia's world-leading high performance organisations and people will provide the talent base and critical mass to support a cutting-edge sports industry.

If these benefits are summed together, realising this aspiration for Australian sport will add \$25 billion worth of *annual* value to Australia.<sup>72</sup> More importantly we will also have reversed the major threats to participation and our sporting culture to lead the world in participation, punch above our weight on the international sporting field, and have a sports industry known for its professionalism and innovation.

## Appendix 1:

# Definition of sport used in the report

The definition of “sport” used in the Intergenerational Review is consistent with the definition in the Australian Sports Commission’s Act (1989) and is defined as:

- > Traditional sport, physical activity incorporating competition, organisations and/or rules
- > Physical recreation linked to sport including running, cycling, swimming, and surfing

Within this broad definition we have used the following terms consistently:

- > **High performance sport** - National and state level sport and their talent pathways. This includes Olympic sports and professional sports (e.g., AFL, NRL, Cricket etc.)
- > **Participation** - All other sport that is not high performance (including sport at a club level, or played in parks and beaches across Australia)
- > **Organised sport** - Sport played within the structure of the national, state and club sporting organisations
- > **Self organised sport** - Social sport played outside of the club structure, but where recognised rules (e.g., touch football) and techniques (e.g., swimming) are applied

Other forms of physical recreation that are not linked to sport have been excluded. This includes, for example, horse racing, going to the gym, yoga, and dancing (see Exhibit 1a). It is important to note that dancing is included as an activity that can contribute towards Australian children achieving the 100% participation target in the future.

**Exhibit 1a: The definition of “sport” used in the Intergenerational Review of Sport (IGRS)**

	Traditional sport	Physical recreation	Broader activity
	Physical activity incorporating competition, organisations and/or rules	Conscious pursuit of activity without rules, org. and external competition to achieve a health outcome	Completion of physical activity as a consequence of wider motivations
High performance	<b>Organised sport</b> State/national sporting performance (i.e. AFL) State/national talent pathways (i.e. Joeys)	Going to the gym Yoga/Pilates Dancing	Walking Cycle commuting
	<b>Organised club sport</b> (i.e. Associates RFC)	<input checked="" type="checkbox"/> Scope of “sport” used in the IGRS	Fishing
Participation <b>Self organised sport</b> Social sport with rules (i.e. Casual touch)	Activity linked to sport (running, cycling, swimming, surfing etc.)		Physical labour

Within this definition, the project focused on the 91 National Sporting and National Disabled Sporting Organisations recognised by the ASC at July 2015. This list of sports was first segmented by the level of commercialisation and television coverage:

- > Commercial sports
  - Tier 1 - Commercial sports with significant Australian television rights deals
  - Tier 2 - Commercial sports with television rights deals
  - Tier 3 - Commercial sports with TV coverage but no rights deal

The broader sports landscape was then segmented by their Australian Winning Edge categorisation that explains their expected contribution to Australia’s high performance goals:

- > Foundation – sports with a record of achieving multi-medal or consistent team medals at Olympic, Paralympic, world championships or Commonwealth Games level. These sports are expected to make the largest contribution towards Australia’s Winning Edge targets.
- > Emerging – Sports likely to achieve a top eight finish and have an outside medal chance at the next Olympic Games, or likely to achieve a medal at the next Paralympic Games. These sports have longer term potential.
- > National iconic – Sports with gold medal success at the Commonwealth Games or culturally significant sports with gold medal success at world champs.
- > Supported – Sports that receive grants from the Australian Sports Commission.

A full list of the sports reviewed as part of the IGRS is included in Exhibit 2a.

**Exhibit 2a: Segmentation used in the Intergenerational Review of Sport (IGRS)**

		Commercial			Broader sports			
Participation	High performance	<b>Tier 1</b> • AFL • NRL • Cricket	<b>Tier 2</b> • Tennis • Soccer • Rugby Union	<b>Tier 3</b> • Golf • Netball • Basketball	<b>Foundation Tier 1</b> • Athletics (inc running) • Canoe/kayak • Cycling • Rowing • Sailing • Ski and snowboard • Swimming	<b>Emerging</b> • Badminton • Archery • Beach Volleyball • Boxing • Judo • Modern Pentathlon • Taekwondo • Volleyball	<b>National iconic</b> • Bowls • Motor-cycling • Motorsport • Squash • Weightlifting • Surfing • Surf lifesaving	<b>Supported</b> • Baseball • Bocce • Fencing • Ice Racing • Karate • Lacross • Softball • Touch football • Orienteering • Polocross • Pony club • Skate • Table Tennis • Tenpin bowling • Wrestling • Waterski/ Wakeboard • BMX
	Organised sport							
Self organised sport					<b>Tier 2</b> • Diving • Hockey • Shooting • Triathlon • Water polo			
Participation					<b>Prospective</b> • Equestrian • Gymnastics			

## Appendix 2:

# Method used to model value of sport

### Introduction and methodology

The following appendix provides further details on the methodology, assumptions and sources used to estimate the annual spend on sport and the value this creates to Australia. All values are in Australian Dollars and unless otherwise stated:

- > Have been standardised for Australia's population size in 2016 (24 million people);
- > Are in 2016 dollars, with historic values inflated to 2016 dollars using an inflation rate of 2.5% where necessary; and
- > Exclude the value of sports gambling (which was approximately \$5 billion in 2015).

In the "Spend on the sports sector" section, the estimated breakdown of 2015 spending on sport and sports infrastructure is provided. This has been collated through government accounts (where available), public reports on sport broadcasting and sponsorship, the ABS estimates for weekly household spending on sport, and the ASC's AusPlay survey data.

The value that this spending creates for Australia is significant, as it results in participation and high performance outcomes that in turn drive a range of benefits to society. Economic modelling is one way of measuring this value, and is used regularly in government to put a monetary value on the contribution of different sectors to society. However, many benefits of sport are not easily quantifiable or even measured in direct economic terms. To overcome these challenges a range of analyses using primary and secondary sources have been used to pull together a holistic view of the value of sport.

In the "Value of sport" section of this appendix we describe our method of calculating the benefits of sport, before explaining what these benefits represent in terms of economic value added, avoided cost or social value. Five different types of benefit were investigated:

- > Sport's contribution to the economy;
- > Sport's significant net health benefits;
- > Sport's positive role in children's educational development;
- > Sport's role in binding Australian communities and social benefits; and
- > Australia's exceptional track-record of international sporting success promotes our international reputation, fosters community engagement and builds national pride.

The ABS does not recognise or track sport as a standalone sector in the economy, although previous efforts to size the economic contribution have placed it at 2% of GDP.<sup>73a</sup> The economic contribution of the sport sector was calculated by feeding an estimate of the 2015-16 spend on sport through the latest Australian Bureau of Statistics (ABS) input-output tables.

Input-output tables use a series of "multipliers" to estimate the number of times each dollar of sports spending cycles through the economy before it is diminished by taxes, savings etc. This economic ripple effect is used to estimate the economic value of the sports sector in terms of Gross Value Added (GVA).

Two other forms of economic benefit – the productivity benefits of sport participation and the value of volunteering time – were estimated using research provided by the ABS and other sources. Reputable recent secondary research sources were also used to estimate the net health and education benefits of sports participation.

The value of the community and international reputation benefits were also estimated, but these did not form part of our final value of sport given the difficulty quantifying these largely qualitative benefits, and the fact that these are not on a like for like basis with more tangible economic, health and education benefits.

Wherever secondary research was used to estimate the value of sport, multiple sources were reviewed and made comparable. The numbers presented reflect the arithmetic mean of the resulting range, after outliers have been removed. The only exception to this being our estimated value for the impact of early mortality or disability due to physical inactivity, where we relied exclusively on the most recent DALY figures (2011).

## Participation data used in the modelling

Results from ASC's AusPlay survey were used to estimate participation data when modelling the economic value of sport in 2016. The gradient applied to 2016 AusPlay data to project future (2036) value was calculated using historical data from the Australian Bureau of Statistics (ABS) Participation in Sports and Recreation Survey, the ABS Children's Participation in Cultural and Leisure Activities Survey, and the ASC Exercises, Recreation and Sport (ERASS) Survey given the AusPlay survey has only been conducted once and, hence, does not provide a longitudinal view.

It should be noted that there are some methodological differences between the ABS surveys and the AusPlay survey which makes results difficult to compare directly. These differences include interviewee selection, sample design, sample size, questionnaire design and how the surveys are conducted. Although AusPlay includes some similar questions to the ABS surveys (e.g. in the last 12 months did you participate in any physical activities for sport, for exercise or for recreation?), the methodological differences between the two require it to be treated as a new time series. For this reason, we have only included AusPlay data for current valuation and not when calculating trajectory.

## Spend on the sports sector

Over \$12bn is spent annually on sport, across high performance, participation and infrastructure.

**Exhibit 2a: Snapshot of spend in the sports sector in 2015 (\$m)<sup>73b</sup>**

		ASC	Other Fed Govt.	State Govt.	Local Govt.	Private sector	User pay	Total
HP	> Tier 1	<\$1	\$26	45	-	\$1,526	\$534	\$2,822
	> Other	\$125				\$303	\$263	(23%)
<b>Participation</b>		\$50	\$19	\$156	\$14	\$624	\$7,287	\$8,150 (65%)
<b>Infrastructure</b>		-	\$140	\$449	\$890	-	-	\$1,479 (12%)
<b>Total investment</b>		<b>\$175 (1%)</b>	<b>\$185 (1%)</b>	<b>\$649 (5%)</b>	<b>\$904 (7%)</b>	<b>\$2,453 (20%)</b>	<b>\$8,085 (65%)</b>	<b>\$12,451</b>
<b>ASC operations</b> (ex int'l grants)		\$133	Excludes investment in one-off events (private, AOC, ACGA funding etc).					
<b>Total ASC budget</b>		<b>\$308</b>						

This estimate excludes spending on one off events, such as hosting the AFC Asian Cup and Cricket World Cup or Olympic team preparation by the AOC or APC. This “run rate” spending is contributed from six different sources:

	<b>Includes</b>	<b>Excludes</b>
<b>ASC<sup>74</sup> (\$175m)</b>	<ul style="list-style-type: none"> <li>&gt; High performance and participation grants</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Day to day running costs incurred by the ASC</li> </ul>
<b>Other Fed. Government<sup>75</sup> (\$185m)</b>	<ul style="list-style-type: none"> <li>&gt; Funding from the Federal Dept. of Health and Office of Sport on sport programs</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Spending on federal community, preventative health programs etc. where sport is a delivery mechanism</li> </ul>
<b>State Government (\$649m)<sup>76</sup></b>	<ul style="list-style-type: none"> <li>&gt; State high performance funding through SIS/SAS</li> <li>&gt; Estimated annual investment into major infrastructure projects (total project cost under construction spread over expected life of project)</li> <li>&gt; Calculated from State Govt. funding from 2001 ABS Survey (scaled as a % of 2014/15 State Govt. expenditure)</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Day to day running costs incurred by the SIS / SAS and Sport and Recreation departments</li> <li>&gt; Infrastructure requirements for one off events (i.e. Olympics)</li> </ul>
<b>Local Government (\$904m)</b>	<ul style="list-style-type: none"> <li>&gt; Calculated from Local Govt. funding from 2001 ABS Survey (scaled as a % of 2014/15 Local Govt. expenditure)</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Local sport administration costs</li> <li>&gt; Infrastructure requirements for one off events (i.e. Olympics)</li> </ul>
<b>Private sector<sup>77</sup> (\$2,453m)</b>	<ul style="list-style-type: none"> <li>&gt; Estimates for 2015 broadcasting, media and sponsorship spend</li> <li>&gt; 2014/15 donations from the Australian Sports Foundation</li> </ul>	
<b>User pay<sup>78</sup> (\$8,085m)</b>	<ul style="list-style-type: none"> <li>&gt; Annual household spending on sports related fees, equipment, clothing, training etc.</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Annual household spending on non sporting recreation equipment (boats, camping etc.)</li> </ul>

## Value of Sport

### Overall contribution to the economy

Sport makes an important contribution to the Australian economy. The \$12 billion spent annually on sport and sports infrastructure each year<sup>79</sup> supports \$39 billion of economic activity across the country, or 2-3% of Australia's GDP.

In the process the sector employs over 220,000 people,<sup>80</sup> which represents 1.9% of the Australian workforce.<sup>81</sup> A further 1.8 million committed volunteers donate 158 million hours to sport each year - equivalent in time to nearly 90,000 full time jobs.<sup>82</sup>

Economic activity can be explained in terms of the Gross Value Added (GVA), and can be broken down into five categories:<sup>83</sup>

1. **Direct economic impact (\$6 billion)** of 2016 sports spending (GVA of spend on sport and dependent sectors).
2. **Indirect economic impact (\$5 billion)** from further spending by suppliers to the sports sector.
3. **Induced economic impact (\$28 billion)** through consumption by employees of the sport and supplier sectors.

Combined, this represents over \$39 billion of economic activity created by the sports sector. Two additional sources of economic value from sport include:

4. **Increased productivity (~\$8 billion):** The GDP gain from a more engaged and less absent workforce, which is estimated to add \$3-12 billion of economic value each year.<sup>84</sup>
5. **Value of the volunteer contribution (~\$3 billion):** A conservative estimate of the monetary value of the 158 million hours of time volunteered on sport in 2014.<sup>85</sup>

Summing these economic, productivity, and volunteering benefits gives a total economic value for sport of approximately \$50 billion in 2016.

### Value of health benefits

Sport delivers significant health benefits to Australia. Sport participation reduces rates of inactivity and obesity, which are leading risk factors for the major causes of disease and mortality in Australia today, including heart disease, type 2 diabetes, stroke and some cancers.

Moderate amounts of exercise reduce the incidence of mental health disease and depression, and have been shown to slow and potentially reverse the onset of dementia.<sup>86</sup> Finally, playing sport during childhood is critical for developing lifelong activity habits, with children who grow up playing sport 10% more likely to remain active as adults.<sup>87</sup>

The first step to calculate the magnitude of these benefits was to create a per person cost of inactivity using secondary research. This per person cost was then applied to an estimate of the percentage of Australians who meet their minimum activity thresholds through sport to create a health benefit of sports participation. The Australian Department of Health sets the following guidelines for physical activity: "to achieve health benefits, adults should accumulate 150 to 300 minutes of moderate intensity physical activity or 75 to 150 minutes of vigorous intensity physical intensity each week." We use participation frequency results from AusPlay data as a proxy for sufficient physical activity, with 5+ physical activities per week considered to be approximately equivalent to accumulating 150-300 minutes of moderate intensity physical activity per week.

Two types of health benefit were incorporated in our analysis:

1. **Avoided healthcare costs (\$0.5-\$1.9 billion per annum):** Reducing the incidence of non-communicable disease, mental health conditions, and falls reduces the cost incurred by health providers.<sup>88</sup>
2. **Reduced incidence of early mortality (\$29 billion per annum):** Reducing the incidence of disease extends life, reduces the rate of early mortality and increases quality of life.

We use the 2011 Disability Adjusted Life Year (DALY) figures for physical inactivity collected by AIHW<sup>88a</sup> to estimate the number of healthy years lost annually in Australia from lack of physical activity, including early mortality, ill-health and disability. This is a standard methodology used to calculate the direct economic cost associated with having fewer productive members of society in the workforce.

Our analysis also acknowledged that sport can place an additional health burden on society, by increasing the incidence of sporting injuries. This cost was estimated to be within the range of \$1-\$1.6 billion p.a and was subtracted from our annual health benefits.<sup>89</sup> Combined, sport is estimated to deliver \$29 billion of net health benefits each year.

## Value of contribution to children's education

Sport plays a positive role in children's educational achievement. Children who play sport have improved cognitive development, are better at learning and retaining information, and stay in school longer.<sup>90</sup> Sport teaches children critical life skills such as teamwork, fair play and resilience, which are important drivers of our success as adults.

Three statistically significant correlations were used to estimate the annual education benefit from sport:<sup>91</sup>

- > First, people who play sport perform better at school;
- > Second, people who play sport stay longer in education; and
- > Third, people who achieve better grades at school and stay longer in education, generate higher lifetime earnings.

The resulting lifetime earnings uplift from sport was divided by the number of working years to create an estimated \$5 billion annual education benefit from childhood sports participation.

## Value of contribution to Australian communities

Sport helps to bind Australian communities and creates social benefits. Australia's network of sporting clubs and competitions is unique in its ability to bring people together.

Four types of personal and community benefits were estimated as part of the IGRS. These benefits are not additive to other sources of benefit, but provide an indication of the overall value of the contribution sport makes to Australian communities.

1. **Personal wellbeing (~\$6-\$12 billion p.a.):** Individuals value the happiness and wellbeing provided by sport. A UK study showed that participating in sport at least once a week generates the equivalent to an £11,000 increase in household income per annum.<sup>92</sup>
2. **Self esteem (~\$6-12 billion p.a.):** Sport develops self-esteem, tenacity, motivation and discipline, which have a positive and statistically significant impact on earnings.<sup>93</sup>
3. **Social capital (estimates up to \$50 billion p.a.):** Membership of clubs and organisations is strongly linked to national income per capita, and sports organisations are responsible for the largest membership base in Australia (35% of Australians were involved in a sports or physical recreation group at least once a year).<sup>94</sup>
4. **Inclusion and rehabilitation (<\$0.1 billion p.a.):** Benefits from the social inclusion of minority groups and the impact of sport in crime prevention and criminal rehabilitation.<sup>95</sup>

As mentioned above these four valuations are not additive and hard to quantify precisely. We estimate that the overall value of such benefits is in the \$10-\$30 billion p.a. range, but these benefits have not been included in our final value of sport figure.

### Value of to Australia's international reputation

Australia's exceptional track-record of international sporting success promotes our international reputation, fosters community engagement and builds national pride.

Sport reinforces '*Brand Australia*' and allows the Australian government to reach more people in more countries than traditional channels have allowed. Australia spends over \$650m<sup>96</sup> per annum building its brand internationally, which provides an indication of the value that Australia's global sporting exposure creates for the nation. The specific brand and exposure value was not quantified as part of this work, but is expected to be significant.

### Combined value of the sport sector to Australia

A range of economic, health, educational, community and international reputational benefits were considered when estimating the value sport to Australia. Our modelling concluded that sport creates an estimated \$83 billion of economic, health and education value for Australia each year (note, figure below are rounded to the nearest billion). This can be broken down into:

- > \$50 billion of economic value;
- > \$29 billion of health benefits; and
- > \$5 billion of education benefits.

We also acknowledge that sport creates significant personal wellbeing, community cohesion and international reputation benefits over and above this figure but has not been included given the challenges described above in quantifying its value.

## Return on spend on sport

Together, sport creates significant value for Australia. Approximately \$7 is returned from every dollar spent in the sports sector.<sup>97</sup> This high rate of return is the result of the:

- > Direct, induced and indirect impact of sports spending;
- > Increased productivity of active workers;
- > Net health benefits of sports participation; and
- > Education benefits of childhood sports participation.

The approximately \$7 of value created for each dollar spent in sport is calculated by dividing \$83 billion of benefits created from sport by the \$12 billion spent on sport in 2016. The total return is estimated to be at least \$7 for each dollar spent, as this number does not include the more intangible personal wellbeing, community cohesion and international reputation benefits.

We also estimated the return on spend across three categories as part of our economic modelling:<sup>98</sup>

- > **Tier 1 High Performance sports**, which contributed an estimated \$11.8 billion of benefits to society from \$2.2 billion of spending, resulting in approximately \$5.30 of value created for each dollar spent.
- > **Other High Performance sports**, which contributed an estimated \$4.6 billion of benefits to society from \$1.0 billion of spending, resulting in approximately \$4.40 of value created for each dollar spent.
- > **Participation in sport**, which created an estimated \$66.9 billion of benefits for society from \$9.2 billion of spending, resulting in ~\$7.3 of value created for each dollar spent.

Realising the 2036 vision for Australian sport will also deliver over \$25 billion of incremental economic, productivity, health, education and community benefits per year, when compared to the likely outcomes if we do not take action.<sup>99</sup> In order to achieve this value, total local, state and Commonwealth government contribution would need to increase by an incremental spend of \$400-600 million annually. This amounts to a conservative return of 20x from every government dollar invested, with this investment also acting as a catalyst for further spending in the sector (i.e. will accelerate further private sector investment), which will create additional value.<sup>100</sup>

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70. When compared to 2036 'do nothing' scenario. Standardised to 2016 \$s and population size. BCG Economic Modelling of Sport (2016)
71. When compared to 2036 'do nothing' scenario. Standardised to 2016 \$s and population size. BCG Economic Modelling of Sport (2016)
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- 73a. Frontier Economics: Economic contribution of sport to Australia (2009)
- 73b. ASC Funding report 2013-2014; ABS Household expenditure survey (2009-10); AusPlay national data tables - October 2015 to September 2016; BCG Economic Modelling of Sport (2016)

74. ASC Grants Funding (2013/14)
75. Department of Health; Office of Sport
76. ABS Sport and Recreation Funding by Government (2000/01)
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79. Investment into sports sector only (not related sectors). Excludes the impact of one off sporting events and the overhead costs incurred by funding bodies (i.e., SIS/SAS, DSR)
80. BCG Economic Modelling of Sport (2016)
81. This is broadly in line with international benchmarks of 1.3% to 2.3% of the total workforce employed in sport. Study on the Contribution of Sport to Economic Growth and Employment (European Commission, 2012); ABS employment data
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100. Includes sport and sport infrastructure spending; BCG Economic Modelling of Sport (2016)
101. BCG Economic Modelling of Sport (2016)
102. BCG Economic Modelling of Sport (2016)
103. BCG Economic Modelling

