

Player Salaries and Revenues in the Australian Football League 2001–2009: Theory and Evidence

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Abstract

In this article we consider the Australian Football League Players' Association (AFLPA) initial fixed percentage of revenue pay request for the 2012–2016 Collective Bargaining Agreement (CBA) with the Australian Football League (AFL) in the context of theoretical predictions of models of player salaries in both settings of profit-maximising and win-maximising clubs. We then explore the AFL data from 2001–2009 and show that the declining share of player salaries as a proportion of revenue is consistent with the predictions from these theoretical models. This poses the question of what the league and the clubs do with the additional revenue if they are not paying it to the players. We explore alternative talent investments (better coaching, improved facilities) as a club strategy, and the changing spending on game development as a league strategy.¹

JEL code: L83

Keywords

AFL; Australian Football League; broadcast revenues; player salaries; revenue sharing; salary caps.

Introduction

In April 2011, the Australian Football League (AFL 2011) signed a new \$A1.253 billion broadcasting rights deal for the five year period 2012–2016. This significant increase in broadcasting rights revenue provided additional impetus for increased salary requests on the part of the players and the AFL Players Association (AFLPA) for the 2012–2016 Collective Bargaining Agreement (CBA). The specific request was for a fixed share of revenue of 25–27 per cent as salary

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payments and other benefits, a request that was rejected by the AFL. Subsequently, the league and the players reached agreement in December 2011 (AFL and AFLPA 2011) for increases in player payments and benefits, with a review after three years.

The aim of this article is twofold. First, we explore some theoretical models from the sports economics literature as to their predictions of the trends in player salaries. In general, this literature predicts falling salaries in the static case, and by extrapolation falling salary shares in the dynamic case as league revenues grow over time. Second, we provide a framing to the recent salary debate by analysing AFL revenue and expenditure data over the period from 2001 to 2009 which shows a falling player salary share. We then discuss spending strategies on alternative talent investments (at a club level) and game development (at a league level).

The plan of the article is as follows. Section two discusses some of the theoretical sports economics literature in the settings of both profit-maximising and win-maximising clubs. Section three describes the data source for the empirical analysis of the changing composition of AFL clubs' (Section four) and the league's (Section five) revenues and expenditures over the period from 2001 to 2009. Section six compares total football revenue with total player payments and benefits. Section seven provides some concluding remarks.

Player Salaries and Salary Caps

The sports economics literature contains extensive analyses of the impacts of salary caps on competitive balance across a range of sporting leagues in the settings of both profit-maximising and win-maximising clubs. In the AFL context these impacts have been analysed by Booth (2004, 2005) who finds that the combination of a salary cap and player draft has improved competitive balance in the AFL. Hone (2005: 14) finds that in the period 1993–2003 in the AFL that there was '... a significant increase in the payments to coaches and support staff relative to player payments.' Hone (2005: 14–15) concludes that '... this trend is consistent with player list restrictions and salary regulations limiting the growth in player payments.' In the present article we focus our attention on AFL player salaries in the period 2001–2009 in the setting of salary caps and revenue sharing arrangements that are characteristic of league level broadcast rights deals. Pinnuck and Potter (2006), in their analysis of the impact of on-field success on the off-field financial performance of AFL football clubs, obtained data from the AFL and derive an (average) profit and loss statement for AFL clubs for the period 1993–2002.

Dietl, Lang and Rathke (2011) explore the impacts of revenue sharing and salary restrictions on competitive balance, club profits and player salaries in a model where the clubs are profit maximisers. They explore these impacts in four different regimes. In their terminology the regimes are: regime A — no binding salary restrictions; regime B — a binding salary cap restriction for large clubs; regime C — a binding salary floor restriction on small clubs; regime D — either the salary cap or salary floor restriction is binding. In their Tables 1 and 2, Dietl, Lang and Rathke (2011) summarise the impacts of increasing the levels of salary

restrictions and increasing the levels of revenue sharing on competitive balance, club profits and player salaries across each of the four regimes. While the AFL is best characterised by a win-maximising assumption rather than a profit-maximising assumption, their results in regime B where there is a binding salary cap restriction for large clubs are interesting to our research on explaining the share of player payments in total revenue. In essence, the AFL has moved to a regime of greater revenue sharing in the last decade as larger broadcasting rights deals have increased total AFL revenues and the share of total club revenues provided by the AFL. Thus, if the Dietl, Lang and Rathke (2011) results generalise to a win-maximising setting, their analysis supports the finding that the increasing share of club revenues being derived from revenue sharing via the AFL would be associated with a declining share of player payments.

Dietl, Franck, Lang and Rathke (2011) explore the impact of a percentage of club revenue salary cap in a league where the clubs behave as win maximisers. Their analysis is in the setting of European football (soccer) in which the clubs in different countries have vastly different revenue potentials. As such, the salary cap in their analysis is based on a percentage of club revenue. They find that such a salary cap in the context of win-maximising clubs promotes greater club financial stability and reduces player salaries.

Dietl, Grossman and Lang (2011) develop a contest model of a sports league that provides new insights regarding the effect of (gate) revenue sharing on talent investment incentives, competitive balance and club profits where it is assumed club owners maximise a weighted sum of profits and wins. The authors suggest that for further research the model can be extended to analyse the effect of salary caps and floors on competitive balance, talent investment and club profits in sports leagues with utility-maximising clubs.

Vrooman (2009) suggests evidence now points to the four major North American sports leagues club owners as win-maximising sportsmen — the sportsman effect — with internal competition among sportsman owners resulting in players now sharing about 60 per cent of revenues, much of which is generated by broadcast rights (and public venue subsidies).

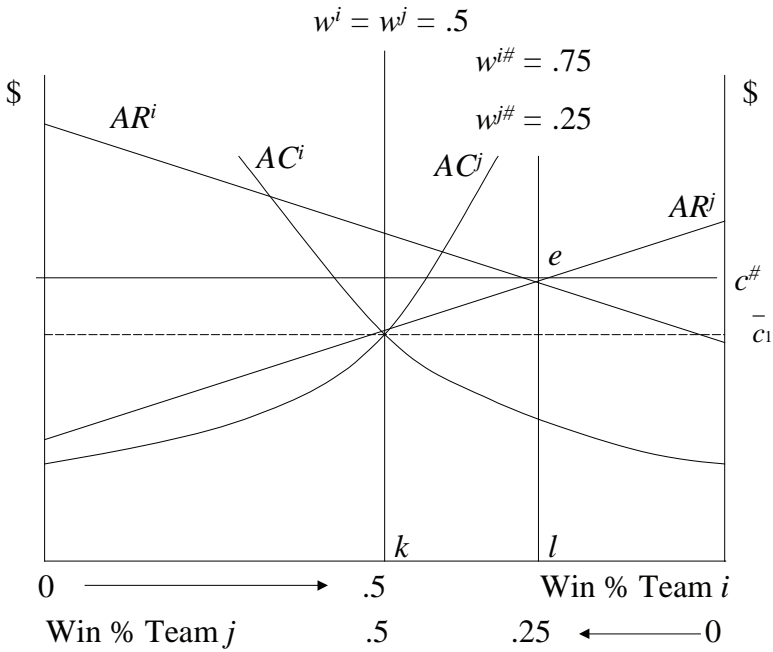
Thus, the theoretical modelling makes clear that in both the profit-maximising setting and the win-maximising setting the combination of revenue sharing and salary caps leads to reduced player salaries in the static case. In the dynamic case, as league revenues grow over time this can be expected to produce a declining share of player salaries in total revenue. In the setting of profit-maximising clubs that characterise North American sports leagues, this raises club profits. Further, in the profit-maximising club setting this produces the need for salary floors in the case of pooled revenue sharing. Using a theoretical model Chang and Sanders (2009) find that the pool revenue sharing arrangements in Major League Baseball (MLB) in North America produce a reduction in player talent spending and competitive balance unless they are accompanied by requirements for a minimum payroll spend on players.

Booth (2004) argues that AFL clubs are win maximisers which stems from the nature of club ownership with 11 of the 18 clubs owned by their 'paid-up' members. Four AFL clubs are 'owned' by their respective state football bodies,

and the remaining three are 'owned' by the AFL. Clubs typically act as win maximisers subject to a break-even budget constraint and the financial accounts are consistent with the objective of win maximisation, revealing profits (if any) to be very small proportion of revenue. While AFL clubs are win maximisers and not subject to the same incentive structures as profit-maximising MLB clubs, there is some evidence that in the mid-1990s before the merger of Fitzroy and the Brisbane Bears, Fitzroy adopted a low payment strategy as a survival option. This led as Booth (2004) describes to requirements of a minimum team salary in the AFL of 95 per cent from 1999, later reduced to 92.5 per cent from 2002. Under the new 2012–2016 CBA, negotiated between the AFL and the AFLPA, each club must now pay a minimum 95 per cent of the combined total player payment/additional service agreements limits. In a league such as the AFL, with strong competition from other football codes, other sports and other forms of entertainment, there is a desire to expand the competition and grow the code. Competitive balance and club financial stability are important ingredients for this expansion, so the negotiated salary cap outcome whilst limiting the ability of the financially-strong clubs, must be generous enough to attract/retain talent, be affordable by the financially-weak clubs, and still leave enough revenue for the league to underwrite the expansion into new markets.

The imposition of the AFL team salary cap from 1985 was to enable teams to reduce their player costs below those that prevailed during the 1980s. The intention was to prevent clubs from overspending in order to win a premiership and to restrict the wealthy clubs from securing a disproportionate share of player talent. Moreover, Macdonald (forthcoming) makes the point that both the AFL and the AFLPA have recognised the reasonableness of any restraint of trade in reaching their CBAs. Thus, the wage outcomes are by definition below the market clearing cost of talent, and shown as such in Booth's (2000) two-team league model depiction of the AFL salary cap in Figure 1, where it is assumed that the clubs are win maximisers and the league wishes to use the salary cap to achieve equal playing strengths and to allow the weaker teams to break even financially. The market clearing cost of talent in the absence of the salary cap would be at the intersection of the clubs' average revenue (*AR*) curves, but with the salary cap to restrain the financially-strong club yet within the reach of the financially weaker club, the unit cost of talent under the salary cap is lower, at the intersection of the average cost (*AC*) curves.

Figure 1: Team salary cap in the AFL



In the setting of win-maximising clubs that characterise European football (soccer) salary caps produce greater financial viability for clubs as the modelling of Dietl, Franck, Lang and Rathke (2011) links salary caps to club revenue and reduce the incentive for win-maximising clubs to spend all of their revenue while still producing an incentive to increase revenues. In the AFL setting the scenario is different as the club level salary caps are set by the league and the players’ association and do not bear as strong a relationship to club revenues. This raises an interesting research question of what the league and clubs do with the additional revenue in this setting.

AFL and AFL Clubs’ Revenue and Expenses Data 2001–2009

We now explore in greater detail what occurred to league (AFL) and AFL Clubs’ revenues and expenses from 2001 to 2009 to understand the dynamics of player salary shares and other forms of expenditure. We obtained data from AFL annual reports (various), AFL Club Financial Reviews — Survey Results 2001–2009 and Club Summary Financial Information Spreadsheets 2004–2009.

There are two main revenue streams: league revenue and club revenue (although it should be noted that club revenue also includes a distribution from the league operating surplus). In Figure 2 and Table 1 we show the time series of league and club revenue and expenses, and the league operating surplus. The time series shows significant growth in club revenue and expenses over the period in both nominal and real terms, as well as nominal and real growth in league revenue and league expenses, and the operating surplus of the league (from which the league makes a distribution to the clubs).

Figure 2: AFL and AFL club revenues and expenses 2001 to 2009

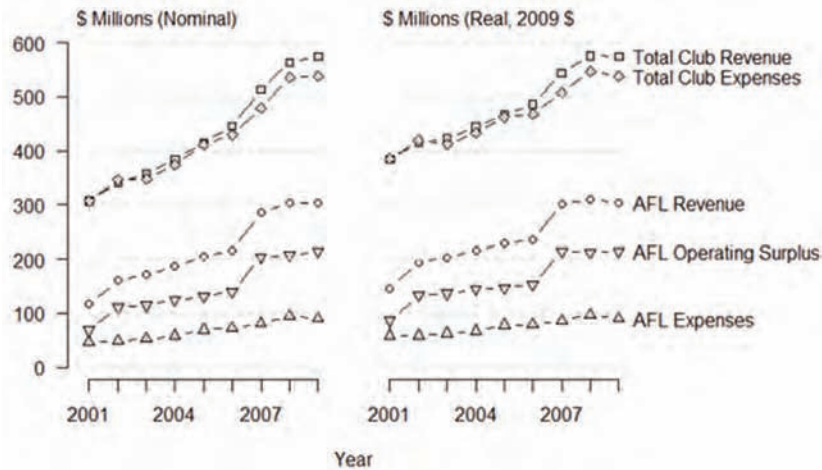


Table 1: AFL and AFL club revenues and expenses 2001 to 2009

\$(Millions) — Nominal	2001	2002	2003	2004	2005	2006	2007	2008	2009
Total Club Revenue	306.5	340.6	356.4	383.4	414.8	445.6	512.7	563.5	574.6
Total Club Expenses	306.6	345.5	347.2	373.3	410.2	429.0	478.7	534.9	537.6
AFL Revenue	116.6	159.7	170.9	186.3	203.7	215.2	284.8	302.1	303.5
AFL Expenses	46.2	47.8	52.5	58.1	69.4	72.1	81.0	94.7	89.9
AFL Operating Surplus	69.0	110.1	114.7	124.0	130.4	140.1	202.5	207.4	213.5
\$(Millions) — Real 2009 \$									
Total Club Revenue	383.7	413.8	423.0	443.6	466.9	485.7	542.8	575.4	574.6
Total Club Expenses	383.8	419.8	412.1	431.9	461.7	467.6	506.8	546.2	537.6
AFL Revenue	146.0	194.0	202.9	215.5	229.3	234.6	301.5	308.5	303.5
AFL Expenses	57.8	58.1	62.3	67.2	78.1	78.6	85.8	96.7	89.9
AFL Operating Surplus	86.4	133.8	136.1	143.5	146.8	152.7	214.4	211.8	213.5

AFL Clubs' Revenue and Expenses Data 2001–2009

At the club level, data on the composition of revenues is available from two different sources — the AFL Club Financial Review — Survey Results provide data on the composition of club revenues for the period from 2001–2007 which we summarise in Panel A of Table 2, while the Club Summary Financial Information Spreadsheets provide data on the composition of club revenues for the

period 2004–2009 which we summarise in Panel B of Table 2. The data show that Marketing activities are the largest component of club revenues followed by distributions from the AFL. The distributions from the AFL are approximately 1/5 of club revenues and show the importance to the clubs of league revenue sharing. Pinnuck and Potter (2006) reported for the period 1993–2002 that on average around 18 per cent of club revenue was sourced from the AFL.

Table 2: Composition of AFL Club revenues (%) 2001 to 2009

	2001	2002	2003	2004	2005	2006	2007	2008	2009	Average
Panel A: AFL Club Financial Review — Survey Results										
Marketing	31	30	28	30	28	29	25			28.7
AFL	19	22	22	22	20	20	22			21.0
Membership	21	20	22	21	20	20	19			20.1
Non-Football	9	9	9	9	11	12	13			10.3
Events				6	6	6	6			6.0
Fundraising	9	9	9	2	3	3	4			5.6
Merchandising	4	4	4	4	5	4	5			4.3
Match Receipts	4	3	5	4	4	3	3			3.7
Other	3	3	3	2	3	3	3			2.9
Panel B: Summary Financial Information Spread-sheets										
Marketing				29.3	27.5	27.6	25.5			27.5
AFL				21.4	20.3	19.9	22.2	21.3	21.1	21.0
Membership				20.7	20.4	20.1	18.7	18.8	19.7	19.7
Commercial Operations								16.1	17.0	16.6
Non-Football				8.9	11.3	12.3	12.8	11.7	13.0	11.7
Corporate Hospitality								8.5	6.9	7.7
Events				6.3	6.2	6.2	6.3	6.3	4.7	6.0
Merchandising				4.2	4.5	4.1	4.6	4.1	4.2	4.3
Fund Raising				2.5	3.0	3.5	3.6	6.9	6.6	3.5
Match Receipts				4.3	4.0	3.5	3.4	2.9	3.2	2.4
Other Football Related				2.3	2.4	2.4	2.4	2.5	2.3	2.4
Abnormals				0.0	0.1	0.1	0.3	0.5	1.1	0.3
Marketing and Communications								0.3	0.3	0.3
Media and Communications					0.4	0.3	0.3			0.3

Data on the composition of expenses at the club level is also available from two different sources: the AFL Club Financial Review — Survey Results provide data on the composition of club expenses for the period from 2001–2007 which we summarise in Panel A of Table 3, while the Club Summary Financial Information Spreadsheets provide data on the composition of club expenses for the period 2004–2009 which we summarise in Panel B of Table 3. The results at the club level show that football department expenses (which include player payments) are the major expense item for the clubs in the past decade, averaging 46.3 per cent in the 2001–2007 Panel A Survey Results, and 44.8 per cent in the 2004–2009

Summary Spreadsheets. Marketing, membership and fundraising was the next most important expense but trended downward over the period, whereas non-football expenses grew. Pinnuck and Potter (2006) report that football department expenses of AFL clubs in the period 1993–2002 averaged 49.6 per cent.

Table 3: Composition of AFL Club expenses (%) 2001 to 2009

	2001	2002	2003	2004	2005	2006	2007	2008	2009 Average	
Panel A: AFL Club Financial Review — Survey Results										
Football	48	47	47	48	45	45	44		46.3	
Marketing	15	15	14	14	13	14	12		13.9	
Other Administration	11	11	10	11	11	11	10		10.7	
Non-Football	7	7	9	8	9	10	12		8.9	
Other	4	5	5	8	8	8	9		7.9	
Membership	7	7	7	7	7	6	6		6.7	
Fundraising	5	5	5	1	4	3	4		3.9	
Merchandising	3	3	3	3	3	3	3		3.0	
Panel B: Summary Financial Information Spread-sheets										
Football Department				45.5	45.2	44.8	44.0	43.2	45.9	44.8
Membership, Marketing and Fundraising				30.4	30.3	30.0	28.9	29.1	27.9	29.6
Club Administration				12.9	13.0	13.6	12.9	13.2	13.6	13.2
Non-Football				7.5	9.7	10.5	12.1	10.8	11.7	10.4
Below the Line				3.7	1.7	1.1	1.2	3.7	1.0	2.1

The interesting question is not only what has happened to football department expenses as a share of AFL club expenses, but what has happened to both football department expenses and player payments as a share of both club revenues and expenses. We report these results in Figure 3 and Table 4. Player payments are defined in two ways, the total player payments (TPP) limit (commonly known as the team salary cap) and gross player payments (GPP). GPP are comprised of the TPP limit plus further payments such as allowances for finals (payments for finals matches), retention and cost of living (to Brisbane in a non-football city, and to Sydney for its high cost of living), and for over 30 year-old veterans (only 50 per cent of a veteran's salary is included in the TPP limit). There is a longer span of data here since the AFL Club Financial Review Survey Results in 2003 included data for the previous five years back to 1998. Not only are football department expenses as a percentage of both club revenue and club expenses trending downward during the period (least until 2008), the results also show a declining player salary share until 2008. Specifically, GPP comprised 28.8 per cent of total club revenue in 1998, but only 23.3 per cent in 2009. The TPP limit

comprised 24.2 per cent of total club revenue in 1998, but only 21.4 per cent in 2009. We note that Hone (2005) reports ‘player payments’ as rising from 27 per cent of total club revenue (from all sources according to Hone) in 1993 to more than 32 per cent by 2001. Whilst the definition of player payments used by Hone is ambiguous (in the sense that it is not clear whether Hone is using GPP or the TPP limit), what is clear is the rising share of player pay in this earlier period. Turning to total club expenses, GPP comprised 30.3 per cent in 1998, but only 25.0 per cent in 2009. The TPP limit was 25.5 per cent of total club expenses in 1998 and only 22.9 per cent in 2009. All four trends considered were significant at the .001 level when using a regression test for linear trend, also allowing for autocorrelation. The same statistical test for trend has been applied for trends subsequently studied in this article, and in all cases the trends were statistically significant.

This result is consistent with the predictions of the model of Dietl, Lang and Rathke (2009). In addition, our results show that player payments as a share of revenue are consistently lower than player payments as a share of expenses. This reflects a greater flow through of club revenue to club profits. Dietl, Franck, Lang and Rathke (2011) in their analysis of European football (soccer) support the introduction of salary caps from a league perspective in terms of club financial stability. Thus, the finding that more AFL clubs returned to profits over the period from 2001 to 2009 is consistent with the combined operations of revenue sharing and salary caps producing greater club financial stability.

Figure 3: AFL Clubs football department expenses and player payments (%) 2001–2009

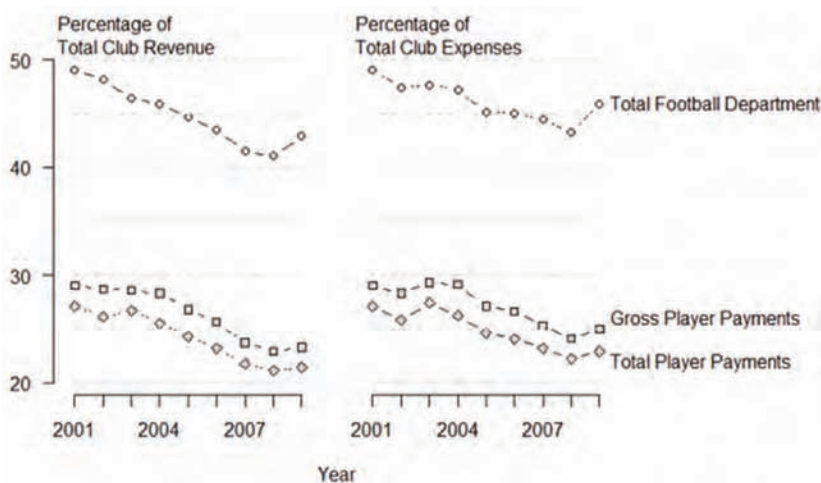


Table 4: AFL Clubs football department expenses and player payments (%) 2001–2009

	2001	2002	2003	2004	2005	2006	2007	2008	2009
% of Total Club Revenue									
Total Football Department Expenses	49.0	48.1	46.4	45.9	44.6	43.4	41.5	41.0	42.9
Gross Player Payments	29.0	28.7	28.6	28.3	26.8	25.6	23.7	22.9	23.3
Total Player Payments	27.1	26.1	26.7	25.5	24.3	23.2	21.7	21.1	21.4
% of Total Club Expenses									
Total Football Department Expenses	49.0	47.4	47.6	47.2	45.1	45.0	44.4	43.2	45.9
Gross Player Payments	29.0	28.3	29.3	29.1	27.1	26.6	25.3	24.1	25.0
Total Player Payments	27.1	25.8	27.4	26.2	24.6	24.1	23.2	22.2	22.9

We also consider player payments as a function of club football department expenses which shows that the player remuneration share has fallen, while other shares have increased. In Figure 4 and Panel A of Table 5, which illustrate data from the Club Financial Review — Survey Results 2003–2007, on average over the period 67.4 per cent of football department expenses were allocated to players, but falling from 69 per cent in 2003 to 64 per cent in 2007. One area of growth at the end of the period was in ‘Medical and Fitness’ expenses. Figure 5 and Panel B of Table 5 illustrate data from the Summary Financial Information Spreadsheets 2004–2009 and shows the players share of football department expenses averaging 62.5 per cent, and also following a similar downward trend from a high of 69.0 per cent in 2004 before reaching a low of 62.1 per cent in 2009. There are notable increases in the share allocated to ‘Team’, ‘Fitness and Conditioning’, and ‘Recruitment and List Management’ expenses in this period. Hone (2005) reports for the period 1993 to 2003 the ratio of player payments to non-player payments (coaches, trainers and other support staff) which peaked at over 67 per cent in 1995 but fell to 64 per cent by 2003. Hone (2005) also notes that this has been accompanied by a rise in the numbers of coaching and support staff, and that there is some evidence of a trend towards greater emphasis on investment in training facilities.

Figure 4: Football department expenses (%) per Club (AFL Club financial review-survey results), 2003–2007

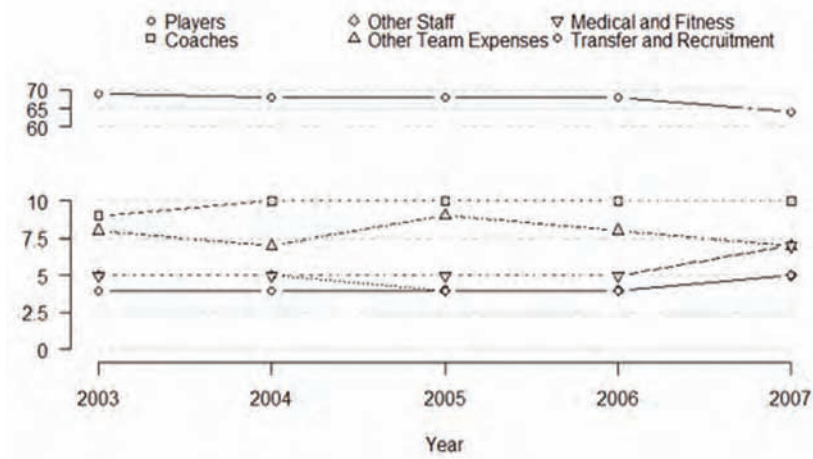


Figure 5: Football department expenses (%) per Club
(summary financial information spreadsheets), 2004–2009

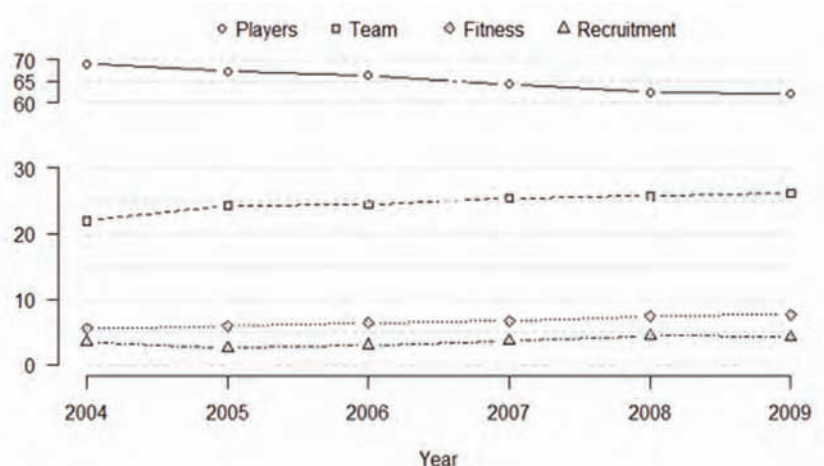


Table 5: Football department expenses (%) per Club, 2003–2009

	2003	2004	2005	2006	2007	2008	2009	Average
Panel A: AFL Club Financial Review — Survey Results								
Players	69	68	68	68	64			67.4
Coaches	9	10	10	10	10			9.8
Other Staff	5	5	4	4	5			4.6
Other Team Expenses	8	7	9	8	7			7.8
Medical and Fitness	5	5	5	5	7			5.4
Transfer Fees and Recruitment	4	4	4	4	5			4.2
Panel B: Summary Financial Information Spread-sheets								
Players		69.0	67.3	66.2	64.3	62.5	62.1	65.2
Team		21.9	24.3	24.4	25.4	25.7	26.1	24.6
Fitness and Conditioning		5.6	5.9	6.4	6.7	7.4	7.6	6.6
Recruitment and List Management		3.5	2.5	3.0	3.6	4.4	4.2	3.5

AFL Revenue, Expenses and Operating Surplus Data 2001–2009

In Section 3 it was noted that league revenue had grown at a much faster rate than league expenses, leaving increasing operating surpluses to be disbursed. Regrettably, AFL annual reports since 2005 have no longer reported in the same detail on the composition of AFL revenues and expenditures, and as such it is not possible to present the same analysis of the changing composition as has been done for club revenue and expenses. We note however that in 2005, sponsorship and broadcasting constituted 55 per cent of league (AFL) revenue.

At that time, the AFL was under the broadcasting rights deal for the 5-year period 2002–2006 valued at \$A500m (including \$A50m contra) and the AFL (2011) subsequently signed broadcasting rights deals of \$A780m for the 5-year period 2007–2011 (including \$A87.5m contra) and \$A1.253b (including \$A135m contra) for the 5-year period 2012–2016. Thus, broadcasting rights continue to remain a major component of revenues.

As discussed by Macdonald and Booth (2007), previous broadcast rights were \$A24.55m for the 6-year period 1987–1992, and after a one-year on sell to the ABC, were regained by a Seven for \$A30m for the 5-year period 1988–1992. It is believed that revenue in 1993 revenue was around \$A12m, between \$A80–85m for the 5-year period 1994–1998, renegotiated in 1995 to \$A150m for the 3-year period 1999–2001, with an additional \$A20m for the first and last bidding rights to AFL broadcasting between 2002 and 2011.

While we are not able to explore composition of revenues and expenses at a league level it is interesting to explore what has happened to the distribution of the operating surplus of the league.

Figure 6: Distribution of league operating surplus (%), 2001–2009

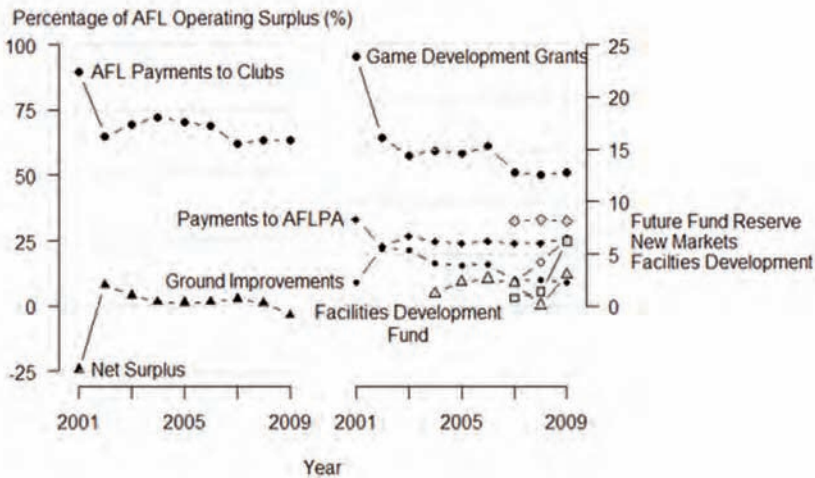


Table 6: Distribution of league operating surplus (%), 2001–2009

Percentage of AFL Operating Surplus (%)	2001	2002	2003	2004	2005	2006	2007	2008	2009
AFL Payments to Clubs	89.7	64.7	69.4	72.3	70.5	69.0	62.0	63.5	63.6
Payments to AFLPA	8.3	5.7	6.7	6.2	6.0	6.2	6.0	6.0	6.5
Game Development Grants	23.9	16.1	14.4	14.9	14.6	15.3	12.8	12.5	12.8
Ground Improvements	2.3	5.5	5.4	4.1	3.9	4.0	2.5	2.5	2.3
Facilities Development							2.3	4.2	6.4
New Markets							0.8	1.4	6.2
Future Fund Reserve							8.1	8.3	8.1
Facilities Development Reserve				1.2	2.3	2.6	2.2	0.1	3.0
Net Surplus	-24.3	8.0	4.1	1.4	1.3	1.6	2.6	1.2	-3.5

As shown in Figure 6 and Table 6, in percentage terms the AFL distributions to clubs have fluctuated during the period (89.7 per cent in 2001 appears to be an outlier) but settled around a low of around 62–63 per cent in the period 2007–2009, whilst new allocations have been introduced beginning in 2007 such

as ‘Facilities Development’ (6.4 per cent in 2009), ‘New Markets’ (6.2 per cent in 2009) and a ‘Future Fund Reserve’ (8.1 per cent in 2009). In addition the allocation to ‘Facilities Development Reserve’ begun in 2004 has also increased (6.3 per cent in 2009). This indicates that the league has taken on a broader game development role than was traditionally the case. In this context it is worth considering the findings of Zimbalist (2010) as regards comparing player salary shares across US sports leagues where in part the lower share for baseball can be explained by significant game development costs associated with the minor leagues that do not exist in the other professional US sports.

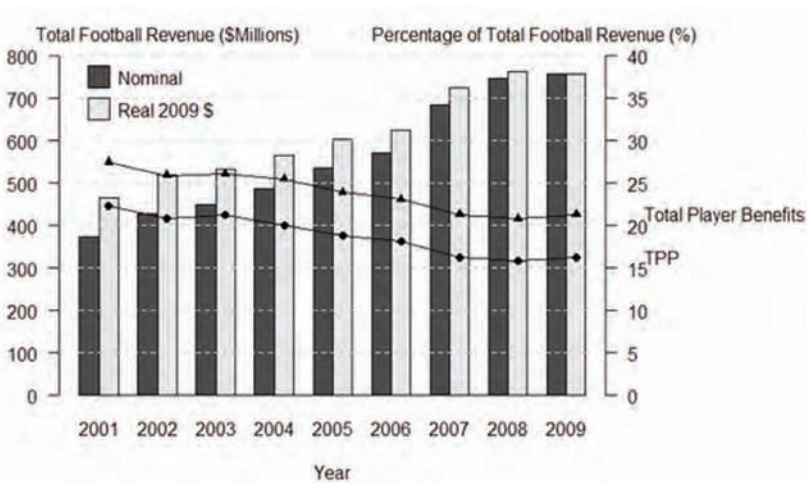
Total Football Revenue and Total Player Payments/Benefits

As shown in Figure 7 and Table 7, comparisons of total football revenue, that is the sum of club revenue (excluding the AFL distribution) and league revenue, with various definitions of player payments or player benefits reveal that the latter has not kept pace over the period 2001–2009.

Table 7: Total football revenue, total player payments and total player benefits, 2003–2009

	2001	2002	2003	2004	2005	2006	2007	2008	2009
Total Football Revenue (\$Millions) — Nominal	372.7	427.4	448.5	487.8	535.2	572.0	683.9	745.5	757.0
Total Football Revenue (\$Millions) — Real 2009 \$	466.6	519.3	532.4	564.4	602.4	623.5	724.1	761.2	757.0
TPP as % of Total Football Revenue — Nominal	22.3	20.8	21.2	20.1	18.8	18.1	16.2	15.9	16.3
Player Benefits as % of Total Football Revenue — Nominal	27.5	25.9	26.1	25.5	23.9	23.1	21.3	20.8	21.3

Figure 7: Total football revenue, total player payments and total player benefits, 2003–2009



The TPP limit as a percentage of total football revenue has fallen from 22.3 per cent in 2001 to 16.3 per cent in 2009, reaching a low of 15.9 per cent in 2008. Total Player Benefits (defined by the AFLPA as the TPP limit plus Total Deductions plus Injury Allowance plus Additional Special Allowances (ASAs) plus AFLPA Operating (Education, Training and Welfare) plus AFLPA Retirement plus Player Licensing and Merchandising (including Telstra Internet) plus Medical Costs plus Premiership Prize Money) has fallen as a percentage of total football revenue has fallen from 27.5 per cent in 2001 to 21.3 per cent in 2009, reaching a low of 20.8 per cent in 2008.

Conclusion

In the AFL, the share of revenue going to the players has been on a downward trend over the period 2001–2009. Whilst total football revenue (club and league) and actual player payments/benefits have been growing, they have not been growing as fast — or, to put it another way, there have been other expenditures/transfers which have been growing at a faster rate — some of these are new expenditures/allocations.

Total club revenue and total club expenses have grown significantly during the period, but football department expenses as a proportion of total club revenue and total club expenses fell, especially in the first part of this period. Not only that, but also the share of football department expenses going to the players has fallen. So where has the club money gone? ‘Non-Football’ and ‘Other’ are two categories of club expenses that have grown in proportionate terms. Moreover, while the players’ share of football department expenses is decreasing, the shares going to ‘Team’, ‘Fitness and Conditioning’, and ‘Recruitment and List Management’, have all increased.

Turning to the disbursement of the growing league operating surpluses (resulting from league revenue growing faster than league expenses), the share going as payments to the clubs has fallen, which is important since it is the clubs who pay the players. So where has the league money gone? There are new and significant allocations to ‘Facilities Development’ (and increases in the ‘Facilities Development Reserve’), ‘New Markets’, and the ‘Future Fund Reserve’.

These outcomes are consistent with theoretical modelling in both the profit-maximising and win-maximising settings which makes it clear that the combination of revenue sharing and salary caps leads to reduced player salaries in the static case, and in the dynamic case, as revenues grow over time results in a declining share going to the players.

Notes

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