

## 2.7: INVESTING IN THE FUTURE OF SPORT

### Findings

43. There is a strong correlation between international sporting success and public funding for sport.
44. Australian Government funding for sport is just one component of a large, complicated and evolving industry. Any diversification of sport industry funding will inevitably involve considerable consultation amongst stakeholders, often with competing interests, in a multi-tiered industry.
45. There is significant capacity for improved co-ordination and allocation of government funds between agencies and levels of government. It is the responsibility of the Australian Government to lead in this area.
46. Additional funding is required to meet current facility and infrastructure needs, including the adaptation of high-value infrastructure to climate change. This, however, cannot be achieved without significant co-operation and strategic planning between jurisdictions.
47. Sports at all levels derive significant revenues from fast food and alcohol advertising. Limitations on sponsorship of sport will significantly affect the industry.
48. There is a clear role and responsibility for sporting organisations to deliver social messages such as responsible consumption of alcohol and healthy eating.
49. The Australian Sports Foundation is an important mechanism. Changes to the operation and governance of the Australian Sports Foundation could improve its applicability to a wider group of Australians.

### HIGH PERFORMANCE SPORT

The Panel recognises the importance to the Australian community, and the sport industry, of success in international sporting competition and considers that the current level of success will be difficult to maintain. Other nations are taking a more serious view of international performance and funding their ambitions accordingly. Countries such as France, Germany, the United Kingdom

(UK), Italy, Japan, Spain, India, South Korea and others all have larger populations and are putting greater resources into elite sport. Smaller countries are also taking more medals.

The application of large amounts of additional funding may maintain Australia's current international status, but without maintenance of existing levels of funding Australia's international performance and standing will decline, even with efficiencies that will be gained through structural reform discussed elsewhere in this report. The situation is similar for sport for people with a disability.

The Panel notes that a number of sporting organisations including the Australian Olympic Committee (AOC) and the Australian Paralympic Committee (APC) have made submissions seeking large increases (in the order of \$100 million) in annual funding from the Australian Government for elite sport. The Panel is in no position to assess the veracity of this proposition and suggests that the level of additional funding that will be required from the Australian Government will depend on the targets it finally settles on. For example, if one of its measures of international sporting success is fifth place on the Olympic medal table then Australian Olympic sports will require significantly more funding than if the target was the 'Top 10' which is likely to be achieved within current funding levels.

The section, Roles and Responsibilities, outlines a proposed separation of the Australian Institute of Sport (AIS) from the Australian Sports Commission (ASC). It also suggests the AIS be merged with the state institutes and state academies of sport (SIS/SAS) into a single body, the Australian Institutes of Sport (AIsS). Its charter will be to deliver high-performance outcomes at the national level and the capacity to deliver high-performance outcomes at state and territory level when required. This model should serve to deliver efficiencies and reduction of duplication, but will not result in cost savings significant enough to make a substantial difference. This new structure should not be looked upon as an opportunity to cut funding; current funding allocated to the AIS and the SIS/SAS needs to be maintained.

## **INFRASTRUCTURE**

A fundamental component in the success of any sport is the development and management of facilities. As the Australian sporting landscape changes with new sports and recreational activities taking over from traditional sports, there is greater competition for existing facilities and the development of new ones. The adequate provision of and access to community sporting infrastructure is a key barrier to participation in sports and physical activity and presents an important challenge to all levels of government and the private sector.

Local government expenditure on sport and recreation across Australia in 2000–01 was \$1,050.1 million. Approximately 70 per cent (\$726.9 million) was recurrent expenditure with capital

expenditure accounting for approximately 30 per cent (\$323.2 million) of local government expenditure in 2000–01.<sup>85</sup>

The majority of total local government expenditure in sport and recreation in 2000–01 was on venues, grounds and facilities at 95 per cent (\$997.5 million). Approximately 40 per cent (\$410.1 million) of this expenditure was on venues and sports grounds, with the remaining 60 per cent spent on recreation parks and recreation waterways.<sup>86</sup>

Improved co-ordination between sports for the use of community sporting infrastructure relies upon better co-ordination between the three tiers of government. Local government is largely responsible for the development and maintenance of community sport facilities within a region. The Australian Government and state and territory governments are contributors to community public facilities but on balance have traditionally taken the role of developing large scale and ad hoc sporting infrastructure for the benefit of national and international sporting competitions and events, such as stadiums.

The cost of maintaining facilities has risen as a direct result of cost increases to electricity, water and insurance. These costs are either passed on to participants in registration fees, or must be met by additional funding streams. Some local government facilities that were once free now attract fees for usage.

With such a significant investment, there is a need for better co-ordination and more clearly defined roles at all levels of government, in developing and maintaining public community sporting facilities. Furthermore, effective partnerships between sporting organisations can deliver more effective expenditure of available funding.

Australia's current infrastructure is geared towards long-established sports like the football codes and cricket. With the increasing popularity of non-traditional sports like table tennis and badminton, more pressure is being placed on administrators to better use existing facilities and develop new ones that best meet the needs of a changing sporting landscape.

The key participants responsible for using, developing and maintaining sporting facilities comprises all levels of government, organised sporting groups, informal sporting groups and the private sector. The breadth of the sporting facilities provided by these different players comprise:

- public community level facilities
- public 'elite sport' facilities

<sup>85</sup> Australian Bureau of Statistics, *Sport and Recreation Funding by Government, Australia, 2000–01*, cat. no. 4147.0, 2002, pp. 3.

<sup>86</sup> Australian Bureau of Statistics, *Sport and Recreation Funding by Government, Australia, 2000–01*, cat. no. 4147.0, 2002, pp. 4.

- private sector ‘user pays’ facilities
- the natural environment infrastructure (beaches, national and state parks).

Access to suitable public sporting facilities is a key determinant of participation levels for organised community sport. It follows that sporting facilities must be more effectively incorporated into town and urban planning. A lack of co-operative planning across government can lead to ineffective, underutilised or overburdened public sporting facilities that do not meet community needs.

Given the different participants at both the public and private levels and the relevant responsibilities between local, state and territory governments and the Australian Government, it will be essential to develop a consistent national plan for the management of sporting facilities. This is discussed in more detail in the section, Infrastructure.

Similarly, insufficient expenditure by local government on development and maintenance directly impacts on the quality of facilities. Poor maintenance levels can result in aged, undesirable or unusable facilities. Some follow-on effects of poor quality facilities include:

- low levels of participation in local sporting competitions
- poor quality local sporting competitions
- poor athlete development or the requirement for athletes and their families to travel potentially huge distances to reach adequate facilities and competitions
- an inability for regional and metropolitan centres to attract elite or even sub-elite sporting competitions such as regional carnivals and championships.

Some sporting organisations at local levels are reluctant to work collaboratively and there is a great deal of competition between the sports for access to facilities. It is clear that many of the lower profile sporting organisations believe that higher profile sports get significant priority over less profiled sports in terms of gaining access to facilities.

Competition for sport facilities is leading to additional demand being placed on our already overburdened sporting facilities. The notion of season creep, or the overlap in seasons between traditionally winter and summer sports, results in facilities not being left fallow at any stage of the year. Facilities do not have time to recover or give local governments sufficient time to prepare facilities for the season ahead. It is therefore the responsibility of sports to work together to understand each other’s needs and compromise on use of facilities.

There is a need to review historical and long-term relationships between local governments and established sports that may be leading to an inconsistency in the cost of facilities with some lesser profiled sports paying higher rates for access to local government facilities

The other major influence on infrastructure has been the impact of climate change and primarily the lack of water to adequately maintain sporting fields. To ensure long-term environmental sustainability, existing facilities need to be improved, especially in the area of water management, and new facilities need to adopt a more rigorous environmental planning process to ensure their viability into the future.

### **‘HECS-STYLE’ SYSTEM FOR ELITE ATHLETES**

The Australian Government contributes a significant amount of funding each year to support the development of elite athletes. In 2008–09, the Australian Government provided \$36.3 million that directly supported the allocation of 692 AIS scholarships to athletes.<sup>87</sup>

Australia has benefited greatly on the international stage with many of these athletes achieving major successes on the world stage. Sporting success will often lead to significant opportunities for the athletes in being able to generate a long-term cash benefit in the form of sponsorship, advertising/product endorsement contracts and speaking engagements.

When athletes who have received the benefit of government support in their training and competition earn significant money from their sport, there are often calls for them to ‘give something back’.

There have been many calls for the introduction of an athlete contribution scheme (ACS) similar to the Higher Education Contribution Scheme (HECS) introduced to the tertiary education sector by the Australian Government in 1989. This funding enabled the provision of technical coaching, sporting equipment, access to domestic and international competitions, accommodation and living support. The funding also provided the delivery of a range of sports sciences and sports medicine support services, and the conduct of applied research that is incorporated into the daily training environment.

There may be merit in the introduction of an ACS for Australian athletes. There are, however significant differences between HECS and an ACS that must be considered by government.

HECS requires that students make a contribution to the cost of their education. In the case of HECS, the total amount to be repaid is not based on the future income of the student. HECS payments are only related to future income in the percentage of the student contribution that must be repaid each year. Athletes pay tax on their earnings in the same way as all other citizens and it would be neither equitable nor practical for athletes to be required to pay for their sport programs on the basis of income. Note that where athletes are undertaking tertiary study they also pay HECS in the same way as all other students.

<sup>87</sup> AIS Scholarship numbers recorded at 1 May 2009.

There are other significant issues that government will need to consider before introducing any ACS such as:

- Defining which athletes would be eligible from those variously receiving a variety of AIS scholarships and programs; SIS/SAS scholarships and programs; ASC payments through programs such as the Australian Government Sport Training Grant Scheme; and NSO funding.
- Calculating the cost of their individual programs, including which elements of their programs should be included in such calculations.
- Deciding what the various governments should contribute to athlete programs and what portion athletes should be required to pay to each particular government.
- Taking into account a realistic assessment of the earning capacity of post-career athletes (which may well be very different from that of tertiary graduates), to determine a basis for repayment thresholds and repayment rates.

Given the need for enabling legislation across up to nine jurisdictions, agreements with states and territories and database setup, an ACS is a significant undertaking. The Australian Government would also have to conduct appropriate needs analysis and cost-benefit analysis and it would also need to consult widely with relevant stakeholders.

It should be noted that it is only a relatively small number of athletes, especially in the case of those from non-professional sports, who are able to obtain and sustain long-term employment opportunities resulting from their athletic performances.

Earlier parliamentary inquiries (in 1983 and 1997) rejected the concept of a HECS-style contribution for athletes. The Panel sees merit in consideration by the Australian Government of a different and appropriately designed ACS. However, it is concerned that, if the financial return required from the athlete is too high, then the contribution may be a disincentive for athletes to continue in their sporting careers.

### **NATIONAL SPORTS LOTTERY**

Sports lotteries are used in a number of countries as a way of raising revenue to support public sport programs, not the least being the United Kingdom (UK) sports lottery that was introduced in 1993. The Panel noted that there was considerable support for the introduction of a similar sport lottery in Australia. However, it does not hold that what works for the UK in terms of funding arrangements, will work in Australia. This style of funding is not seen as a good long-term solution to the issue of sports funding.

The Panel identified a number of logistical issues that would have to be overcome in order to develop a national sports lottery. Not least among the concerns raised, was the fact that the Australian Government does not have specific constitutional powers to raise revenue by way of lotteries. Any new lottery would, in all likelihood, impact upon existing state and territory government revenue derived from gaming and it is likely that state and territories would expect some level of compensation as a result of any loss in revenue.

The Panel also questions the need for another lottery system in Australia. There is strong evidence available to suggest that the gaming market within Australia is already well developed. The Panel is concerned about potential adverse social implications resulting from another lottery. The Panel rejects calls for the introduction of any new sports lottery in light of both the political and social difficulties likely to arise.

## **SPONSORSHIP**

Sponsorship has always been an important source of funding for sport in Australia. Changes in sponsorship and advertising, over the years, have seen governments legislate in areas where they feel that sponsorship may be having adverse health and social impacts on society.

Sports are competing for an ever changing and more competitive bucket of sponsorship money. While there will always be room for individual sponsorship, it has been suggested a central body advocate and organise sponsorship on a sector wide basis. This could benefit less commercial and lower profile sports which continue to have difficulty in raising necessary sponsorship.

Lower profile sports need to be more proactive in the marketing of their products to potential sponsors. Most sports have governance arrangements that do not permit them to develop their products optimally and to harness their consumer reach, making their sport 'hard to buy'. Moreover, the inability of many sports to harness the large participation base outside of their organisations presents confusion to potential sponsors and limits commercial value.

The appropriateness of certain partnerships that have been forged between sport and commercial interests must be considered. There is a strong argument for certain commercial interests to be banned from being able to sponsor sport in Australia, as has been done with banning of tobacco sponsorship. It is clear that some sectors of the community are concerned about the mixed messages that are being presented if the Australian Government continues to allow sponsorship by alcohol and fast food outlets at the same time it is pushing the need for a healthy and active lifestyle.

It is the view of the Panel that banning certain commercial interests will have major adverse impact upon sporting organisations at all levels and their ability to deliver sporting programs. In removing the ability for sports to forge partnerships with these sponsors, the Australian Government will

inevitably be 'lobbied' to fund the void in revenue to sports until alternatives are found, in the same way as tobacco sponsorships were bought out by various governments.

The issue of alcohol and fast food sponsorship is fundamentally different to that of tobacco sponsorship. There is no safe level of tobacco consumption; therefore there is no justification for advertising or sponsorship to promote its use. There are safe levels of consumption of alcohol and fast foods. Nonetheless, the Panel also is acutely aware of the health and social problems associated with over indulgence in alcohol and fast food.

The issue is not the sponsorship of sport per se, rather how the sport and its athletes promote the product. If role model athletes were often or always seen to be drinking in moderation and promoting such behaviour, sport has the potential to promote healthy behaviours regarding alcohol use in the community. Introduction of codes of conduct for alcohol use are an important step and the Australian Government has been working with key sporting organisations in this respect. The culture of some sports may take some time to change.

### **THE AUSTRALIAN SPORTS FOUNDATION**

The role and capability of the Australian Sports Foundation (ASF) is not well known. Whilst the ASF does undertake considerable marketing activity, the feedback from submissions and consultations was that there was little understanding of the role of the ASF, especially at the community sport level.

It is clear that the operations of the ASF have grown over the past ten years, and to that extent it is successful. However the ASF remains small. Under current arrangements the ASF is unable to allow contributors to directly sponsor individual sports or organisations. Potential donors are put off by the lack of guarantee that their gift will reach the intended destination although this seems to be an unnecessary complication.

This is due to the nature of the tax legislation. In the view of the Panel, the Australian Government should consider changes to the taxation legislation to allow specific donations that can be directed to specific sports and organisations.

Furthermore, an appraisal of the projects being supported through the ASF suggests that larger and wealthier sporting organisations are the ones primarily accessing the ASF, probably because they are able to direct resources to making applications. The Panel has no objection to this but rather sees a pressing need to facilitate use of the ASF by sporting organisations with fewer resources.

The ASF also needs to investigate the other areas where it can provide support. For example it could assign funding to improve access to sport for people from Indigenous communities or people with a disability. This may be achieved by providing targeted streams of funding to achieve these outcomes.

As an organisation, the ASF was recently captured by changes in the Commonwealth Authorities and Companies Act (CAC Act), confirming its status as a CAC agency—an Australian Government agency with considerable operational independence but additional responsibilities to meet reporting and accountability requirements. As a small agency it is questionable whether this is a cost effective arrangement. As a subsidiary to a larger organisation, there are likely to be efficiencies.

During consultations with the ASF, it advised that some minor changes to the financing of the ASF and ensuring that the ASF board is appropriately skilled could make improvements to its operations.

There is a need for a review of the ASF and such a review should start with a clearer outline of its purpose. If the primary objective is to support elite sport, then the ASF should be a subsidiary body to the (new) ASC, though this may impact on the opportunities for grass roots sporting organisations to access the ASF.

## **SALE OF BROADCASTING RIGHTS**

Broadcasting rights are a major source of non-government revenue for Australian sport. The challenge for small sports is the same challenge that small competitors face in every industry, which is to grow market share in environments where the larger competitors have long established positions.

As discussed in the section, Capacity of National Sporting Organisations, it is the opinion of the Panel that Olympic sport organisations are hindered by their relationship with the Olympic movement. Outside of the Olympics there are minimal events that attract public interest or media partners, at a domestic level. Olympic Games revenue potential is wholly signed over to the Olympic organisers during the games and Olympic sports are largely dependent on government funding for support throughout each four-year cycle. It is only by developing commercially valuable 'properties' outside of the Olympics that a sport can develop the necessary partnerships with media organisations and independent sources of revenues. It is the responsibility of the lower profile sports to look at ways in which they can be more marketable and aggressive in seeking other options that may exist in how they sell their sports.

To date, major sport has been the main beneficiary of available broadcast revenue, through the sale of the content that each major sport controls. Smaller sports tend to be critical of these usually larger professional sports (such as the football codes and cricket), often suggesting that their advantage is due to unfair decisions by the media, (particularly free-to-air television and pay TV) to show these sports while neglecting others. The Australian Government put in place an anti-syphoning scheme in 1994 to ensure that Australians have continued access to key sporting

events on free-to-air television<sup>88</sup> and that these events are available to the whole viewing public by preventing pay TV licensees from acquiring exclusive rights to listed events. For events that are not on the anti-syphoning list, free-to-air and pay TV broadcasters can purchase the rights to televise those events, based on their individual commercial interests.

It is argued that anti-syphoning legislation ultimately limits the earning potential of the NSOs and holds back the quantity and quality of sports coverage on television.

In the view of the Panel, at the most basic level, the television networks make financial decisions to buy and show sports that are popular with the users of their service. This, in turn, reinforces the popularity of that sport, generating revenue that is reinvested into the sport. Sports are able to invest in higher quality personnel and resources and ultimately make decisions that ensure their game is more attractive, more marketable and more profitable.

The problem for major sports at present is that current anti-syphoning laws force them to sell their product to free-to-air television, which puts it in the same commercial market as other TV shows and events. Given the competitive nature of the media industry and the dependence on ratings of free-to-air television, sports run the risk of having to 'sell' themselves at a lower price to free-to-air TV networks than what they may have potentially been able to leverage from subscription television operators. This reduces the potential revenue of major sports. The Panel suggests that the Australian Government investigates the relaxation of current anti-syphoning legislation.

The Panel is aware of the Department of Broadband, Communications and the Digital Economy review of the anti-syphoning scheme and has been informed by the *Sport on television: A review of the anti-syphoning scheme in the contemporary digital environment* discussion paper. The Panel supports the review and recommends that NSOs directly affected by the discussion paper be given the opportunity to meet with review representatives.

## DIGITAL MEDIA

Concerns were raised with the Panel regarding the impact digital media is having on the broadcasting of sport in Australia. This issue was the focus of a recent Senate Standing Committee on Environment, Communications and the Arts report tabled in May 2009 on The reporting of sports news and the emergence of digital media (the Digital Media Inquiry). A recommendation from the Digital Media Inquiry was:

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<sup>88</sup> Senator Stephen Conroy (Minister for Broadband, Communications and Digital Economy), media release, 20 August 2009.

*The committee urges the government to take into account the opportunities and challenges presented by digital media to sports organisations' current and future revenue prospects and options, and recommends that the current Crawford review of sports pay particular attention to the capacity of sports to invest in digital innovation.<sup>89</sup>*

The digital era has seen the emergence of a whole new industry, one which uses technologies like the internet and mobile phones as a means of communication. These technologies have meant that access to sport news and coverage is much more responsive to the needs and demands of the community. Digital technologies can potentially have an impact on the commercial value of content, as it is almost impossible to maintain exclusivity of rights on the internet.

A balance is needed between the ability of sports to protect their commercial rights and generate funds to promote their sport, and reasonable access to content for news reporting for media outlets. There needs to be an appropriate balance between the public's right to access alternative sources of information using new types of digital media, and the rights of sporting organisations to control or limit access to ensure a fair commercial return.

The Panel believes that at this time there is not a demonstrated need for government intervention; it is appropriate for sporting organisations to deal with the various media outlets to attain mutually beneficial arrangements.

## **THE COST OF SPORT**

In many sports, there is a greater demand for higher quality facilities. While the Panel does not advocate sport participation in inferior facilities, it does suggest that improvements come at a cost which cannot be absorbed easily by local sporting organisations. The cost of sport participation has increased by much more than the Consumer Price Index (CPI) or inflation. According to the Australian Bureau of Statistics (ABS)<sup>90</sup>, the CPI increased in Australia by 36.6 per cent over the 10 years from 1998–99 to 2008–09.

ABS data suggests that sport participation costs (including sporting club subscriptions and registration fees) increased by up to 69.4 per cent over the same period.<sup>91</sup> A broad and informal analysis conducted on behalf of the Panel by the Australian State Sports Federations Alliance shows an average increase in costs of 92 percent across 15 randomly selected local clubs and sporting organisations.

<sup>89</sup> Parliament of Australia, Senate, Senate Standing Committee on Environment, Communications and the Arts, The reporting of sports news and the emergence of digital media, May 2009.

<sup>90</sup> Australian Bureau of Statistics, *Consumer Price Index series*, cat. no. 6401.0.

<sup>91</sup> Australian Bureau of Statistics, *Consumer Price Index series*, cat. no. 6401.0.

Participation costs include equipment such as boots, swimmers, goggles, uniforms, ballet shoes, bats, racquets, gloves and protective helmets, and the petrol required to transport children to venues. For many families, these escalating costs are increasing burdens on family budgets and the ability to support children participating in multiple sporting competitions and physical activities. Many sport and physical activity groups have tried to support families with more than one or two children participating in a sport by offering reduced registration fees but this comes at the expense of the club by loss of revenue or an add-on expense for other families.

Local sporting clubs face ongoing difficulties associated with the escalating costs of getting individuals and sport teams on to the field. For example, insurance costs are increasing for individuals and clubs. The 2002 Senate Standing Committee on Economics Inquiry into the impact of public liability and professional indemnity insurance cost increases<sup>92</sup> shows that sport and recreational organisations have been more disproportionately affected by increases in the cost of public liability insurance, these increased premiums being passed on to the participants at the grassroots level. This issue will continue to place significant financial burdens on community sporting clubs. Facility owners, such as local governments, are adopting more commercial charges for use of their facilities.

Consideration needs to be given to how these costs can be contained. There is a need to examine ways to reduce costs for both participants and sporting organisations.

## **TAX DEDUCTIONS**

Some countries provide financial incentives in the form of tax rebates to support participation in sport and physical activity by younger members of the community.

It is suggested that the Australian Government consider options for supporting participation in sport and physical activity by young Australians. There is potentially a significant cost to the Australian Government in introducing any scheme that provides financial support. An option is the introduction of a scheme that allows parents to claim a taxation deduction for their child participating in sport and physical activity. Alternatively the Australian Government may wish to consider the introduction of a voucher scheme that provides subsidised (free or discounted) access to sports participation (registration fees) or equipment for low-income families.

Tax rebates are used sparingly in Australia to off-set costs to target groups; the 30 per cent rebate on child care and the 30 per cent rebate on private health insurance premiums are significant examples. While there are precedents for directing tax incentives at high priority areas of concern the Panel is aware that the Australian Government will need to conduct an assessment of the cost

<sup>92</sup> Parliament of Australia, Senate, Senate Standing Committee on Economics, Inquiry into the impact of public liability and professional indemnity insurance cost increases, *A Review of public liability and professional indemnity insurance Report*, 22 October 2002.

effectiveness of the rebate versus that of alternative approaches. Some issues to consider on the impact of any such rebate (including complexities of the introduction), are:

- (i) Size of the rebate—While a variety of figures have been proposed by different groups and individuals, there is no data available to indicate the size of a rebate which would produce a cost effective result in terms of foregone revenue.
- (ii) Cash constraints—A rebate is provided after the expense is incurred rather than up-front. This does not help the primary target group who cannot afford the price to begin with.
- (iii) Rebates are bonuses for those who can afford to pay and do so already—Those who are already paying up front for memberships would receive the rebate for a service they are already buying.
- (iii) Lowest income groups—The rebate would have no impact on the lowest income groups (the primary target) as they do not pay tax.
- (iv) Infrastructure costs—Setting up a rebate scheme would require some mechanism for recognising eligible sports/physical activity providers and an ongoing infrastructure to maintain it.
- (v) Taxation legislation—Expense of a predominantly private nature such as membership fees for sport cannot be directly linked to assessable income and therefore do not currently qualify as deductions. Relevant taxation legislation would require changing but this would not be a major impediment if a rebate were agreed.
- (vi) Eligible activities—There are tens of thousands of possibly eligible providers: sports clubs, riding schools, recreation organisations, scouts groups, dance schools, gyms, etc. Determining the criteria for accrediting providers would be complicated.
- (vii) Opportunities for fraud—Monitoring perhaps tens of thousands of eligible providers, and eligible participants would be a significant task. It may be difficult to prevent fraudulent claims from bogus providers.

## **TAX DEDUCTIBILITY STATUS FOR SPORTING ORGANISATIONS**

Stakeholders requested the Panel consider recommendations to allow not-for-profit community sport organisations to apply for tax deductible status. Tax deductibility on donations to these organisations would provide immediate incentive to individuals to ‘invest’ in community sport organisations. Tax deductibility for participation costs will have the immediate effect of reducing the cost of participation.

As outlined above there are major issues for the Australian Government to consider prior to implementing such changes. Implementation of such measures would involve changes to the taxation system (and the *Income Tax Assessment Act 1997*). In particular the Australian Government may need to broaden the type of organisation considered to be a deductible gift recipient (DGR). Such a scheme may also affect the functions of the ASF.

Some representations<sup>93</sup> to the Panel indicate that cost may not be a major ‘constraint’ to participation. If this is the case decreasing participation costs may benefit those already participating, without actually increasing overall numbers of participants.

## VOUCHERS

An alternative to the tax rebate option is the introduction of a voucher system that provides a subsidised (free or discounted) access to sports participation in order to increase the ability of low-income families to allow their children to participate in extra-curricula organised sporting activities. A ‘sport voucher’ could be redeemed by a club or private provider when presented to them by a family and used to offset the child’s membership or participation fees.

Some of the impacts and complexities of a voucher system to be considered are:

- (i) Size of the voucher subsidy—There is no data available to indicate the size of a voucher subsidy which would be cost effective.
- (ii) Cash constraints—A voucher is provided up-front before the expense is incurred, rather than after as in the tax rebate option. Those who cannot afford the price to begin with would be directly assisted as opposed to a tax rebate scheme.
- (iii) Lowest income groups—The voucher system would have its greatest impact on the lowest income groups, being those at which this option is primarily targeted.
- (iv) Infrastructure costs—Setting up a voucher scheme would require a mechanism for recognising eligible recipients, eligible sports/physical activity providers and an ongoing infrastructure to maintain it.
- (v) Eligible recipients—A significant consideration in implementing the voucher system is whether the voucher should be available to every child and how much would be available per child, or whether the availability of vouchers is ‘means tested’. An argument is that it should only be made available to families who are also eligible for concessions due to low income status. This could be linked to schemes that

<sup>93</sup> KPMG, *Impact of Demographic Change: The Future of Sports Participation in Australia*, August 2009.

are already in operation. For example, one particular scheme provides financial assistance towards the educational expenses incurred by low-income families who are in financial need and who meet the eligibility criteria. This scheme would already have clear eligibility criteria of financial need in place. Those criteria reflect closely the indicators that have been discussed previously and would target those most likely to not participate in sport or active recreation currently. This particular system would require the co-operation of Centrelink and the Department of Education, Employment and Workplace Relations (DEEWR) at an Australian Government level and Departments of Education and/or Children's Services at the state and territory government level.

- (vi) Eligible activities—As with the tax rebate option, there are tens of thousands of possibly eligible providers and determining the criteria for accrediting providers would be complicated.
- (vii) Opportunities for fraud—Monitoring perhaps hundreds of thousands of eligible participants, and tens of thousands of eligible providers would be a significant task. It may also be difficult to prevent false claims from spurious providers.