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18th January 2006

Gavin Jones
Contact Officer
Australian Competition & Consumer Commission
PO Box 1199
Dickson ACT 2602

FILE No.	
DOC.	
MARS/PRISM.	

Dear Gavin,

RE: REFERENCE NUMBER C2001/390-02

Thank you for your letter of November 16th requesting further information on the Baseball Australia Licensing and Merchandising Enterprise (BALME) which is the Licensing and Merchandising program for the Australian Baseball Federation.

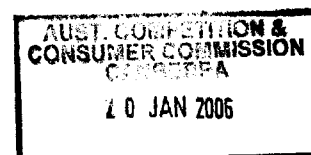
I apologize for the delay in responding to your request however there was a mis-communication between Baseball Victoria and the ABF which took longer than expected to be resolved.

Please find attached the accounts relating to the period for 1st July 2004 to 31st December 2004 which was prepared by Baseball Victoria who were the program managers of BALME until the ABF took control of the program on January 1st 2005. Also attached for your information are the accounts prepared by the ABF for the period 1st January 2005 to June 30th 2005 which were sent to you previously.

The ABF assumed responsibility for BALME from January 1st 2005 following a Business Development Review which recommended along with other initiatives a consolidation of national functions under direct ABF control. The goal for the ABF in assuming control of management of the BALME program was to minimize the administration costs associated with managing the program in order to maximize the financial return to state associations.

A report on the National Business Review is available should you wish to review the findings.

Baseball Victoria had in previous years been paid a fee per annum of \$40,000 to manage the licensing program on behalf of the ABF due to their experience managing their own successful state based licensing program.



Australian Government
Australian Sports Commission



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It should be highlighted that Baseball Victoria were outstanding managers of the program and the administration fees they received for managing BALME paid for the addition of the program manager and assisted Baseball Victoria to implement various programs such as:

- Junior development programs, including school clinics, after school sports programs, Playball program, special schools program.
- State wide implementation and member servicing of the 'My Club' national membership database system
- The 'Home Run Club', an accreditation program that fosters best practice in local baseball clubs across the state with potential for national implementation.

However as can be seen in the accounts for 1st July 2004 to 31st December 2004, Baseball Victoria negotiated an amount of \$25,000 which was a payment from the ABF for the early termination of their management contract for the administration of the BALME program.

With the ABF assuming control of the program from January 1st 2005 the administration costs for the program are expected to be less than that paid to Baseball Victoria. This reduction in administration fees will therefore result in a greater return to member states.

The focus for the ABF since assuming control of the program has been on systemic improvements and service delivery to licensees in order to improve revenue to the program. Furthermore an additional 8 licensees have been encouraged to join the program since January 2005 which will hopefully result in greater choice of suppliers for members.

It should also be noted that the cost of baseballs which represents a significant portion of a baseball clubs operating budget are now at an all time low price in part due to the introduction of the licensing and merchandising program.

Revenue generated by the BALME program in 2004 and 2005 will be combined with funds from sponsorships and preferred supplier programs and returned to states in the form of a National Royalty Payment. The BALME program is expected to contribute approximately \$40,000 to that pool of funds in the 2005/06 financial year. National Royalty Payments to member states are expected to be completed by January of 2006 or shortly thereafter.

A copy of the National Royalty Policy is also enclosed for your information.

The ABF is committed to the concept of a Licensing and Merchandising program and expects revenue from the program to increase with the introduction of a proposed professional baseball league for November 2007. Negotiations with Major League Baseball (MLB) for their involvement in this proposed league are currently being conducted and early positive indications from MLB have been received.



Should you have require further information on the program please don't hesitate to contact me.

Yours Sincerely

A handwritten signature, likely of Alan Weir, consisting of a large, loopy 'A' followed by a smaller 'W' and a final flourish.

ALAN WEIR
SPECIAL PROJECTS MANAGER

encl: Australian Baseball Federation Accounts
Baseball Victoria Accounts
National Royalty Policy

cc: Sue Clarke

Australian Baseball Federation Inc.
Trading as Baseball Australia Licensing & Merchandising
A.B.N. 18 610 026 404

Income and Expenditure Statement As At 30 June, 2005

2004	2005	2005
	\$ Dr	\$ Cr
Income		
Ball Sales		6,266
Uniform Sales		13,159
		<u>19,424</u>
Expenses		
Bank fees	46	
Ground Transportation	114	
Licensing Logos	2,240	
Miscellaneous expenses	25	
	<u>2,425</u>	
BALME Surplus / (Deficit) for year	<u><u>16,999</u></u>	

Victorian Baseball Association Inc
Trading as Baseball Australian Licensing & Merchandising Enterprise
ABN 21 913 089 041

Balance Sheet as at 30 June 2005

Assets

Current Assets

Cheque Account	\$ 6,772.92
Debtors	<u>\$10,404.23</u>
Total Current Assets	\$17,177.15

Liabilities

Current Liabilities

GST Collected	\$7,133.47	
GST Paid	<u>-(\$4,280.87)</u>	
Total GST Liabilities	\$2,852.60	
Total Current Liabilities		<u>\$2,852.60</u>

Net Assets	\$14,324.55
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Equity

Retained Earnings	\$24,471.25
Current Year Surplus/Deficit	<u>-\$10,146.70</u>
Total Equity	\$14,324.55

Victorian Baseball Association Inc
Trading as Baseball Australian Licensing & Merchandising Enterprise
ABN 21 913 089 041

Income & Expenditure Statement as at 30 June 2005
(trading period 1st July 2004 – 31 December 2004)

	2005 \$ Dr	2005 \$ Cr
<hr/>		
<u>BALME Income</u>		
Licensing Income		<u>\$32,818.70</u> \$32,818.70
<u>BALME Expenses</u>		
Bad Debt Write off	\$17,822.80	
Management Fees	\$25,000.00	
Bank Fees	<u>\$ 142.60</u>	
	\$42,965.40	
BALME Surplus/ (Deficit) for Year	(\$10,146.70)	

Australian Baseball Federation

National Royalty Policy

Statement of Purpose

This Policy has been developed predominantly by State Executive Directors in consultation with ABF management. This policy's major points of purpose include:

- To create a fair, open and transparent system for distributing Royalties earned from identified all of sport products.
- To create both incentive and benefits for Associations and members to support all of sport sponsors, licensees and service providers.
- To reinforce and grow the business potential for the sport of Baseball in Australia.

National Royalty Revenue

National royalty revenue is that generated from:

- Board designated portions from all of sport sponsor(s);
- Royalties from the National Licensing and Merchandise Program;
- Board designated portions of the My Shop on-line shopping program;
- Board designated preferred supplier buying incentive schemes for members;
- and
- Any other revenue designated by the Board from time to time.

Determination of the Annual Royalty Payment

As part of the annual budgeting process, the Board will determine, no later than 30 July each year, the total amount of royalty revenue available for distribution to States/Territories in that financial year. The Board reserves the right not to make a royalty distribution in a given year.

MOU

Each of the Federation's State and Territory members will be eligible for royalty distributions subject to being signatories to an MOU with the ABF. The key components of the MOU include:

- A commitment to comply with the national data base registration system;
- A commitment to comply with the national Licensing and Merchandising Program;
- A commitment to support and promote the National, all of sport sponsor(s)
- A commitment to support national preferred suppliers whose arrangements generate revenue into the national royalty pool;

- A commitment to not promote, or allow Clubs to promote companies that compete with National, all of sport sponsor(s), or national preferred suppliers whose arrangements pay royalties into the national royalty scheme, unless expressly approved in writing by the ABF; and
- The MOU agreement will for an initial 2 year term, and States/Territories must be signed off on the MOU no later than 31 August, which will be the commencement date for the 2 year term.

Royalty Distribution Formula

Distributions from the annually allocated royalty pool will be determined by the ABF Board and will be calculated for each State/Territory in consideration of the following criteria. Royalty distributions will be made no later than 31 December in each year.

Compliance Bonus Payments:

- There will be an equal bonus payment to each State/Territory when signing off on the MOU.
- There will be an equal bonus payment to each State/Territory that achieves 90% or better Club and/or registered, playing membership compliance with the National data base registration system.
- There will be an equal bonus payment to each State/Territory that can demonstrate a written, contractual commitment from 90% or better of its Clubs to the National Licensing and Merchandise Program.

There are three categories of Compliance bonus payment allocations and a set fee of \$2,000 will be made for each. Considering there are 7 State and Territory stakeholders in the scheme, \$42,000 would be made available for the bonus payments. If a State complied in all three bonus areas there bonus payments would be:

(For example - QLD)

- signed MOU	\$2,000
- 90% data base registration	\$2,000
- 90% Clubs contracted to L and M Program	\$2,000

Thus QLD can earn \$6,000 through compliance bonuses alone. If any State/Territory cannot comply with any or all of the three of the compliance categories, those bonus payments will be withheld from the year's Royalty distribution and rolled over into the scheme the following year.

Data Base Registration Payment:

Whatever remains in the Royalty Pool over and above the \$42,000 Compliance Bonus Payments will be distributed based upon the percentage of registered members that each State or Territory has in the total national data base of registered playing members. For example, if QLD has 10% of all registered players on the national data base, assuming once again the total royalty pool is \$100,000, and \$58,000 remains to be distributed after compliance bonus payments, the QLD data base registration payment will be:

- 10% x \$58,000	\$5,800
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Hypothetically, the total QLD royalty payment in this year, so long as QLD meet all Compliance categories is:

- Compliance bonus payments	\$6,000
- Data base registration payment	\$5,800
 - Total QLD	 \$11,800

The Board reserves to review to alter the royalty distribution formula from time to time.

Compliance

The Board reserves the right to use such measures it so determines to ensure compliance commitments are being honoured by States/Territories and Clubs, and further reserves the right to issue fines or other reasonable penalties where breaches of compliance commitments are found to occur.

Accountability

ABF will produce a fully accountable reconciliation for royalty distributions annually. This reconciliation will be tabled at the annual State Council meeting (usually held in January).