



Australian  
Competition &  
Consumer  
Commission

## FILE NOTE

ACCC OFFICER:	ROSE WEBB, DAVID HATFIELD, TANYA DUNNE, PRUDENCE SMITH, PAMELA CUE	DATE:	3 NOVEMBER 2011
<input checked="" type="checkbox"/> PHONE TO <input type="checkbox"/> PHONE FROM <input type="checkbox"/> MEETING	FILE NUMBER: C2008-678-02	TRACKIT:	31866
SUBJECT:	N93402 – FOOTBALL QUEENSLAND LTD		
OTHER PARTIES:	MR GEOFF FOSTER, CEO, FOOTBALL QUEENSLAND LTD MR NOEL WOODALL, LEGAL REPRESENTATIVE, FOOTBALL QUEENSLAND LTD		
PHONE/LOCATION:	Canberra, Level 1 West Melbourne, Level 37 Sydney, Bourke Room		
TIME FROM:	10.00 am	TIME TO:	12:00 pm

1. Rose Webb, David Hatfield (DH), Tanya Dunne (TD), Prudence Smith and Pamela Cue met with Geoff Foster (GF) and Noel Woodall (NW) of Football Queensland (FQ) to discuss the ACCC's Draft Notice proposing to revoke FQ's licensing arrangement for apparel and equipment.
2. DH provided background information on the Draft Notice, including the ACCC's process and the framework it had applied to assess the benefits and detriments flowing from FQ's program.
3. FQ then sought to address the ACCC's request for further information dated 26 October 2011.

### *Minimum standard of quality*

4. GF stated that FQ did not have a formal process for assessing minimum standards of quality. Rather, FQ asks licensees to submit product samples and undertakes a 'common sense' assessment of whether or not the product is of suitable quality.
5. GW noted that one of FQ's primary concerns is to ensure that apparel would not 'embarrass' the code.
6. GF noted that as 5 – 6 of its licensed suppliers are long term suppliers, it is fairly relaxed about undertaking quality assessments in relation to their products because FQ knows they are of good quality.
7. GF noted that FQ relies heavily on clubs to make their own quality assessments. However, GF stated that FQ does receive quality complaints from clubs. GF stated that in the first instance, FQ required clubs to resolve any issues directly with the supplier. Then, if clubs are still unsatisfied, FQ intervenes.

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Pamela Cue – 30 November 2011

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8. FQ gave the following examples of when it had stepped in to resolve quality issues: 1) FQ organised for a recall and replacement of a batch of unsuitable Terminator balls; 2) FQ is currently working with a new licensed supplier to resolve delivery issues.
9. NW stated that FQ gives certainty of supply and can monitor quality because suppliers know that if they don't deliver, FQ may terminate their license.
10. DH asked about the situation in other states. For instance, DH noted that Football NSW did not restrict clubs to only acquiring apparel from licensed suppliers but did operate its own business for the supply of football apparel and equipment to clubs.
11. GF stated that FQ's Board had considered implementing a similar arrangement as Football NSW but had ultimately decided that it did not want to run a business.
12. GF noted that, although Football NSW does not have a licensing program as such, 95% of its clubs purchase through its retail store as Football NSW supplies apparel and equipment to clubs at a substantial discount.
13. DH asked whether FQ considered that the licensing program created a barrier to entry for small suppliers.
14. NW stated that the licensing program acts as a filter to ensure quality and continuity in the marketplace. NW noted that smaller suppliers posed a risk as their ability to deliver on quality, service and reliability was marginal.
15. NW considered the licensing agreement to be an incentive not a barrier, as it provided suppliers with an avenue to establish their presence in the football market with the support of FQ to consolidate its presence in the market..
16. TD asked if FQ had ever rejected an application to be a licensed supplier. GF confirmed that FQ had never rejected a supplier's application to the program.
17. DH noted that this discussion raised two material benefits from the program: 1) to preserve the image of FQ's leagues; 2) that it enabled FQ to ensure that suppliers were providing a good product. DH noted that, in comparison to the counterfactual, only the second benefit appeared to arise as a result of the program. DH also noted that FQ's model is different from Football NSW, in that Football NSW does not require clubs to purchase from it but is competing with other suppliers.
18. GF stated that FQ had considered other revenue raising methods, but had decided that the licensing program was still the best option. GF sought to differentiate FQ from Football NSW on the basis of resources and size.

#### *Lower prices*

19. GF noted that in 2007, it increased the number of licensed suppliers from five to 13 and that since then, FQ had received less royalties from the program. GF noted that this was because the increased competition amongst suppliers had resulted in lower prices for Teamwear. GF also pointed out that from the royalty data supplied to FQ by suppliers the value of the market in dollar terms had dropped from 2.2 million to 1.7million with the amount of product being supplied actually increasing. However, GF considered that the higher level of imports from overseas may also have contributed to lower prices although most clothing was imported even prior to 2007.

20. NW reiterated that clubs could purchase a shirts and short set for \$10, however, noted that this was a sale price.
21. NW noted that his club had recently entered into a supply deal with Adidas which had been brokered by FQ. Under this deal, NW stated that his club was able to acquire apparel at a substantial discount from retail prices (40%). For instance, socks at \$6 a pair as opposed to \$15 a pair.
22. DH asked how FQ was able to broker a better deal for NW's club.
23. NW stated that the market is competitive, even for a prestigious brand such as Adidas and that Adidas has incentive to offer lower prices to clubs in order to establish themselves in the marketplace. NW stated that FQ was the conduit into the marketplace. NW noted that his was the first club to take advantage of the Adidas deal, however, that the offer was available to any club.
24. NW said that only one company adds the cost of the licensing fee onto the cost of its apparel.
25. NW stated that the licensing program was a marketing cost for suppliers and it is logical that a business would build marketing costs in to their costs of operation. Just as Coke adds its advertising cost into its operational expenses. The market scheme was in fact a cheap way to market as the scheme provided an opportunity for the supplier to take a very targeted approach to its marketing and not pay the expense associated with a scatter gun approach.
26. NW and GF noted that for some time, FQ has been concerned about the use by some suppliers of 'sponsorship agreements' with clubs. NW noted that under these agreements, clubs were forced into long term, exclusive supply arrangements where they had no recourse over quality and were prevented from acquiring or accepting goods from other suppliers.

#### *Revenue*

27. GF apologised for inconsistent figures and stated that the confusion was a result of providing the ACCC with figures which were inclusive and exclusive of GST, as well as because FQ had recently changed its reporting period which meant one period extended for 15 months rather than 12 months.
28. GF stated that Red Kits had cost approximately \$700,000 in total, of which Red Rooster contributed \$200,000 and FQ contributed \$500,000.
29. In addition to Red Kits, GF stated that it had also provided competition management software to organisers, as well as paid for coaching courses and elite coaching conferences.
30. GF noted that FQ's registration fees vary across regions. However, that in Brisbane fees range between \$250-\$300 a year, whereas in regional areas, fees are approximately \$150. GF stated that FQ received \$34 from these fees and that the licensing program generated 10% of FQ's revenue.
31. GF noted that, if FQ were to raise this revenue through an increase in the player levy, this would result in a \$5 increase which FQ considered would be detrimental to player numbers.

32. GF stated that the licensing program cost \$10,000 to administer per year. GF reiterated that an alternative way of raising revenue would pose risks and increase costs for FQ.
33. DH thanked GF and NW for their time. NW said that FQ would have a submission to the ACCC by the end of next week confirming what was discussed in this meeting and responding to interested party submissions.



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