

Potential options discussed during the course of our work

Potential Option	Description	Advantages	Limitations / Disadvantages
Status Quo	The existing PA is retained and the Regional model continues to operate in the current structure.	Appears to offer a sustainable future for the Regions based on the aggregated FY13 Regional projections;	The current model is perceived to be 'broken' by the Regions; Significant risks surround the achievability of the FY13 projections indicating it is unlikely the current model will be sustainable in the short term; Individual Regions are still projecting to require Benefactor funding requirements in FY13; As the Regions cut player costs this will impact the competitiveness of the Regions, and potentially the National squad
Centrally contract National Squad	The WRU could centrally contract the National Squad, and reduce the level of distributions to the Regions through the PA	Increased control over the National Squad for the WRU; The risk of National Squad salary negotiations, and inflationary pressures, transferred from the Regions to the WRU who may be more effective at resisting these pressures.	Does not address the structural funding gap for the Regions (the Regional income received from the WRU will be reduced by the value of the reduction in the cost base);
Change the structure of the season	Structure the season so that competitions run in succession rather than overlapping	Improved marketing opportunities for the Regions; Increased availability of international players;	Would require a fundamental restructuring of the rugby season in the Northern Hemisphere with agreement across all Unions and the IRB; Existing broadcasting and sponsorship agreements would potentially need to be re-negotiated.
Disband Regional rugby and revert to club structure	The Regional model could be disbanded and replaced with the previous club structure	Potentially reinvigorate attendance levels;	Potential loss of income; Dilution of the playing strength leading to uncompetitive teams; Reverting to a structure that was previously unsuccessful undoing a decade of work developing and establishing the Regional structure.

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Different number of Regional teams	The number of Regional teams could be reduced	Greater concentration of playing and coaching resources improving competitiveness; Lower number of professional players resulting in reduction in cost base	Would result in renegotiation of broadcasting and competition agreements with likely reduction in total income; Limits the number of players able to play at Regional level with potential impact on the development pathway for young players with knock on effects on the National team
WRU takes full control over professional rugby and the Regions	The WRU takes ownership of the Regional teams giving the WRU full control over professional rugby in Wales	Potential cost saving and synergy opportunities; Opportunity of clearer lines of responsibility and decision making;	The WRU would have to be able to fund the full cost of Professional rugby in Wales which could result in reduced funding for grassroots and premiership rugby; The WRU would potentially breach its banking covenants; Potential loss of Regional identity and local sponsorship;
Collaborative approach with a Management Board overseeing Regional rugby	The Regions and the WRU adopt a closer collaborative approach with the introduction of a Management Board to enforce	Maintains the Regional identity and Benefactor involvement; Can be implemented quickly;	Requires a collaborative approach between Regions and between the Regions and the WRU which has historically not happened; Requires the Management Board to have the 'power' to drive, and if necessary, enforce this collaboration and the solutions identified through the operation of this Board

Preliminary conclusions of potential options

Preliminary Conclusions:

- Discussions between the Regions and the WRU remain ongoing, however, preliminary conclusions are set out below:
 - The 'status quo' appears to offer a sustainable future based upon FY13 projections, however, these projections include some significant risks, and are unlikely to result in competitive Regions;
 - Centrally contracting the National Squad will not address the fundamental structural funding gap although it would transfer a degree of risk from the Regions to the WRU;
 - **Reverting to a club structure** would return to a structure that failed to produce competitive teams and potentially undo the decade of investment in the Regional structure;
 - **A reduction in the number of Regions** whilst reducing the total cost base would reduce income through lower competition and broadcasting income and would limit the development pathway for young players with the subsequent impact on the National team;
 - Although a **revised season structure**, to play competitions in succession rather than overlap, appears sensible it is impractical to implement without IRB and other Northern Hemisphere Unions agreement;
- Given the current structure already exists and the structure is not being developed from a 'blank piece of paper', the logical solution appears to be a closer and more collaborative approach between the Regions and the WRU to address the funding gap.
- Both parties are currently reviewing and assessing the potential cost savings and synergistic benefits that could arise from a closer and more trusted working relationship.
- However, should the WRU take on more risk it logically should have a greater degree of control. However, this could lead to a requirement to treat the Regions as subsidiary companies, which we understand would not be acceptable to the WRU.

PWC Final Report key points

Recommendation

A collaborative approach , with a Management Board that has "the power to drive and if necessary enforce this collaboration and the solutions identified through the operation of the board"

(Collaboration : "cooperative arrangement in which two or more parties work jointly towards a common goal" .)

Conclusion points

"Centrally contracting the National Squad will not address the fundamental structural funding gap"

The regions will have to "continue to reduce player costs"

Regions Management ;

Page 10 states that "the deteriorating financial performance of the Regions from 08-11 has in part been due to poor management at the regions , however , external market pressures have also had significant impact which are difficult for the management teams to combat"

Page 12 refers to "New or strengthened management teams" in all regions and states "the new management teams appear to be putting a strong emphasis on improving the commercial & marketing activities"

Structure

The report consistently refers to "the structural funding gap for the Regions"

Page 4 point 1 confirms the Regions have not been viable without Benefactors .

Page 4 point 3 confirms that benefactor funding has been used to fill the annual funding gap.

Page 9 states that "the four Regional businesses are not sustainable on a stand alone basis in their current form without continued additional funding from benefactors"