

# Bidding System Review - F/S and Academy

May 2015



**AUSTRALIA'S GAME**

# Background to the existing F/S and Academy Rules

## Father / Son rule

- The F/S Rule originated in 1954. The rule provides Clubs with priority access to the sons of ex-players for the purpose of preserving the important “father-son” tradition in our game.
- The F/S Rule has undergone many changes throughout recent years, some in relation to eligibility criteria and many in relation to the process by which an eligible player becomes listed by a Club.
  - **Prior to 1997:** F/S players bypassed draft
  - **1997:** Clubs used a 2<sup>nd</sup> round pick for first F/S player and 3<sup>rd</sup> round pick for second F/S player
  - **2001-03:** Trialled one F/S player limit per year
  - **2003:** Clubs used a 3<sup>rd</sup> round pick for first F/S player and 2<sup>nd</sup> round pick for a second F/S player
  - **2007:** Current bidding system
- In 2007, given the increasing importance of the National Draft as a competitive balance measure, it was deemed that the F/S rule was delivering windfalls to clubs out of proportion to the best interests of the competition.
- The current bidding system was introduced to ensure Clubs paid something closer to “fair value” for players selected.
- The F/S Rule is very popular with fans and an important and unique tradition of our game. Despite the fact that it compromises the purity of the draft, the AFL believes the rule should be retained.

## Club Academy rule

- Introduced in 2009 for the four Clubs in NSW / QLD. At this time:
  - 11% of players on AFL lists came from NSW/ACT and Queensland, though these areas have 54% of Australia’s population;
  - the traditional recruitment model for recruitment in other codes was for Clubs to directly recruit children as young as 12;
  - this connection with local Clubs was a significant advantage for the other Codes in attracting first choice athletes and was actively promoted by these other Codes as such.
- The AFL required an approach that would use the Club brands to enable our code to compete effectively to attract first-choice athletes, coupled with the opportunity for the athletes to then play in their home states.
- Under the model, each of the four AFL Clubs would use partner with the AFL to identify, attract and develop players as young as 10 years of age, taking their development through to drafting age and growing the national talent pool in the interests of all AFL Clubs.
- In return for their role, and as an important incentive for investing in their Academies. the four partnering AFL Clubs were given the opportunity to list eligible players under the same bidding system that applies to F/S eligible players.
- The Club Academies were a key pillar in the AFL’s expansion strategy and increasing talent outcomes in the NSW and Queensland markets remains a huge challenge and opportunity for growth of the game.

# Issues with the existing bidding system

## The existing system

- A bidding system is in place to determine which Draft pick a Club uses to secure a potential F/S or Academy player.
- The aim of the bidding system is to provide Clubs with priority access to players while still ensuring reasonable “value” is paid in terms of the draft pick that is used.
- The bidding system was introduced in 2007 following concerns about the fairness of the old F/S Rule which allowed Clubs to recruit eligible players at the fixed cost of a 3<sup>rd</sup> round draft selection.
- The bidding process takes place prior to the trade period as follows:
  - Each Club nominates the eligible F/S and Academy players they intend to select prior to the bidding process (“**Nominating Club**”).
  - In reverse ladder order starting with Pick 1, Clubs can bid for nominated players (“**Bidding Club**”).
  - If a bid is made for a player, the Nominating Club can match the bid with its next available selection to secure the player, otherwise the bidding Club will secure the player.
  - A Nominating Club can secure multiple players under this process. If its selection in a particular round has already been used, its selection in a subsequent round may be used to secure the player.

## Issues

- The existing bidding system is an improvement on past systems, however, it has become apparent that the system is arbitrary and inconsistent and fails to meet the goal of ensuring “fair” value is paid to secure a F/S or Academy player.
- Under the current system after any bid is made, the required “price” for securing a player could fall at any one of the next 17 picks in the draft. Because of this, the Nominating Club may receive far too great an advantage in selecting a player. For example, it is possible for the Club that has won the premiership to receive the number one selection in the draft utilising pick 18. This is an outrageous windfall in itself, but if there was a second player bid for at pick 2, they would also receive that player for just pick 36.
- The potential anomalies arising in the existing system were obvious from the outset. However, the view at the time was that this was an improvement on past systems and any luck one team may have would be viewed as part of the “swings and round-about” of the AFL competition.
- However, the reality has become clear in subsequent years. The competition cannot tolerate a disproportionate advantage being given to one team over the rest: the “swings and round abouts” actually play out in premierships, finals appearances and wooden spoons.
- A key issue is that these anomalies are only set to arise more frequently in future years as the Club Academies begin to regularly produce players.

# The new system has been finalised by the AFL

## Goals in developing a new system

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- objective and fair;
- works consistently across all scenarios including in extreme cases;
- flexible enough to encourage and facilitate the listing of F/S and Academy players to Nominating Clubs;
- provides a clear and transparent incentive for Clubs to invest in their local academies and to select F/S players.



## The solution

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- AFL, with the aid of the Player Movement Advisory Group examined many differing models for an improved bidding system. Finally, a system was chosen by the AFL that:
  - Assigns points to value each Draft pick
  - Updates the draft order when F/S and Academy players are selected
  - Applies a discount to encourage F/S selections and investment in Academies
- The new system is explained in the following pages

# Assigning points to each draft pick

## The concept of a Draft Value Index

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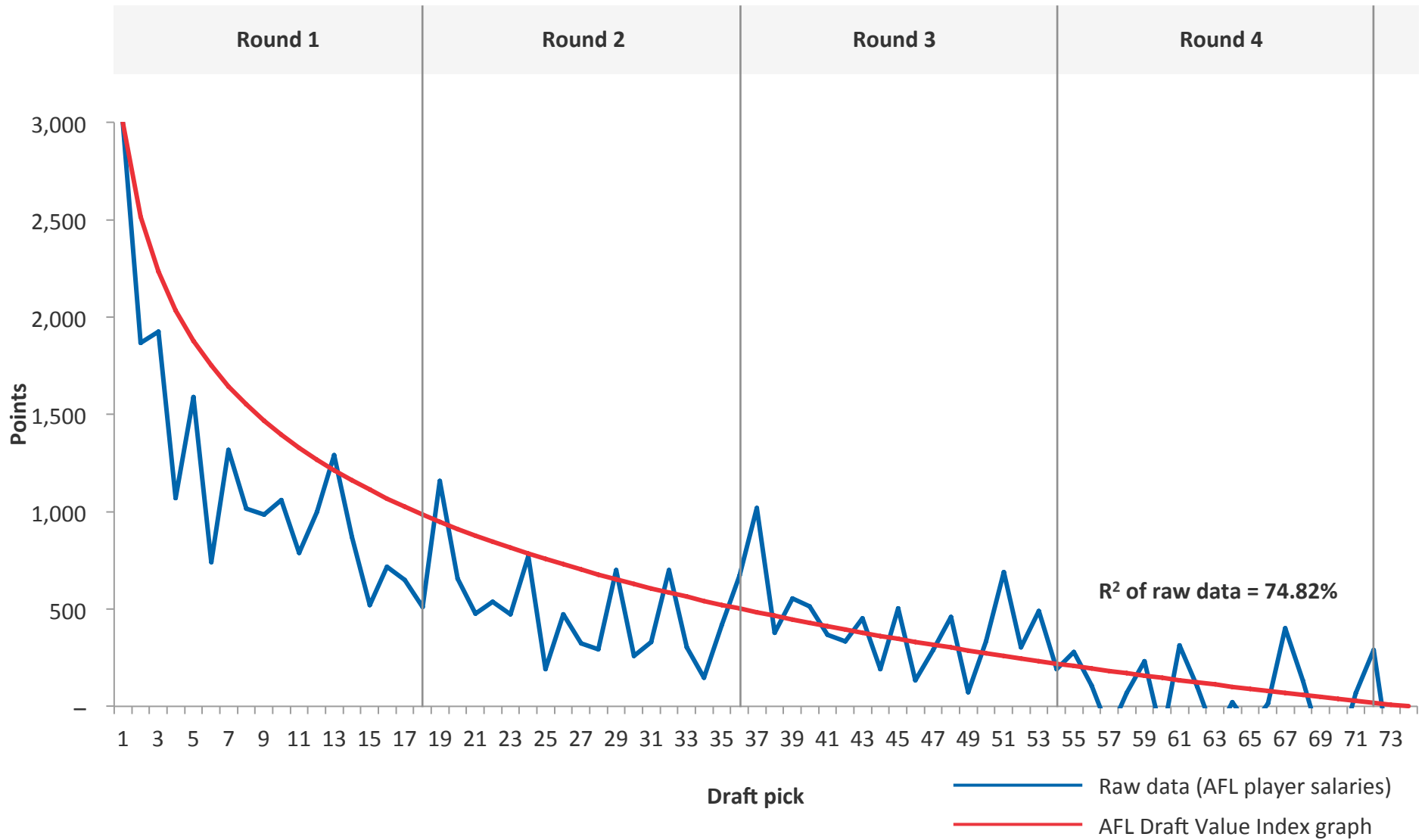
- A key issue with establishing “fair value” in the current system is that there is no objective way to equate the value of one draft selection to another.
- We have solved this problem by establishing a Draft Value Index (‘DVI’) which assigns a relative points value for each pick in the National Draft.
- The idea for this came from published works on a theoretical mathematical model DVI. We developed this idea further using actual data relevant to the AFL
- Points were calculated using statistical analysis of player salary data from 2000-2014 – an indicator of the relative ‘market’ value of players at each draft pick.
- The methodology was reviewed in detail and endorsed by Professor Jeff Borland (University of Melbourne, Department of Economics)
- In addition to academic sign off, on a practical level the DVI has been heavily “stress tested” by the Player Movement Advisory Group (“PMAG”), consisting of Club List Managers and General Managers of Football. We have found that the DVI is a good indicator of the general value of picks relative to one another and also agrees with trades actually executed by Clubs.
- As described in the next section ultimately the points assigned by the DVI are used to create an objective, fair and consistent approach to valuing F/S and Academy selections.

*“Overall the construction of a DVI for the AFL National Draft is a high quality piece of work. It compares favourably with similar work that I have seen for international competitions such as the NFL and NBA. The methodology for constructing the DVI displays a solid knowledge of the literature on this topic and good judgment in its choices about the details of application to the AFL. Overall I agree with the main aspects of the methodology. The empirical derivation of the DVI has been done in a careful and highly competently manner, and obviously reflects a huge amount of work. Some aspects of the derivation of the DVI, such as the application of player salary data as a measure of player value, are best-practice and an improvement over methods that are commonly applied in other international sporting competitions.”*

*Professor Jeff Borland*

*University of Melbourne , Department of Economics*

# AFL Draft Value Index graph



# AFL Draft Value Index

Round 1		Round 2		Round 3		Round 4		Round 5	
Pick	Points	Pick	Points	Pick	Points	Pick	Points	Pick	Points
1	3,000	19	948	37	483	55	207	73	9
2	2,517	20	912	38	465	56	194	74	-
3	2,234	21	878	39	446	57	182		
4	2,034	22	845	40	429	58	170		
5	1,878	23	815	41	412	59	158		
6	1,751	24	785	42	395	60	146		
7	1,644	25	756	43	378	61	135		
8	1,551	26	729	44	362	62	123		
9	1,469	27	703	45	347	63	112		
10	1,395	28	677	46	331	64	101		
11	1,329	29	653	47	316	65	90		
12	1,268	30	629	48	302	66	80		
13	1,212	31	606	49	287	67	69		
14	1,161	32	584	50	273	68	59		
15	1,112	33	563	51	259	69	49		
16	1,067	34	542	52	246	70	39		
17	1,025	35	522	53	233	71	29		
18	985	36	502	54	220	72	19		

## Examples of actual trades in recent years

- 2014, Geelong and Adelaide:
  - Geelong 14 and 35 for
  - Adelaide 10 and 47
  - 1683 points for 1711
- 2013, St Kilda and Hawthorn:
  - St Kilda 24 and 59 for
  - Hawthorn 19
  - 943 points for 948
- 2013, Collingwood and WCE:
  - Collingwood 11, 31, 49
  - WCE 6 and 44
  - 2222 points for 2113

# Updating draft order and applying a discount

## The mechanism for updating the draft order

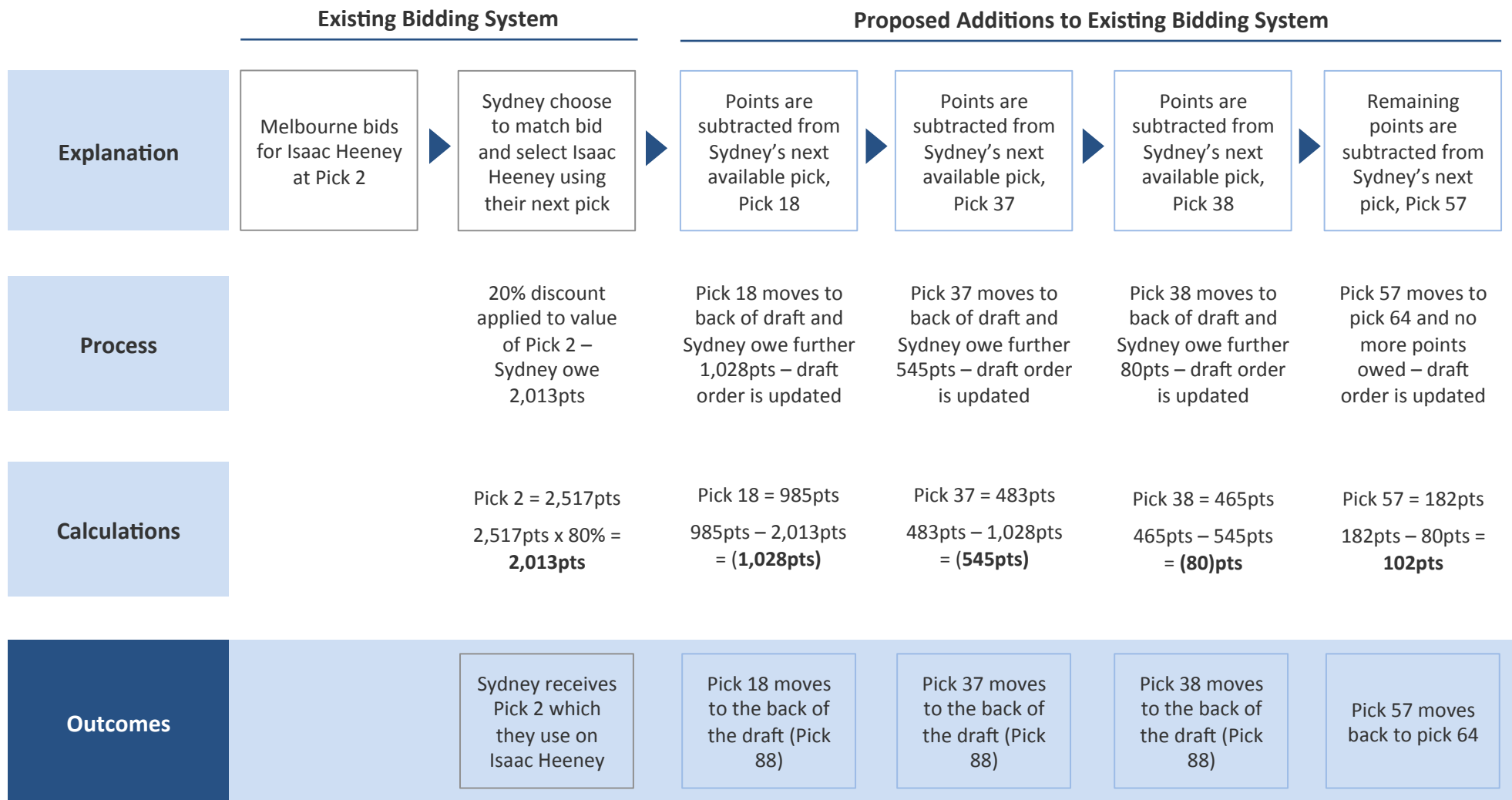
- Under the new system, the existing bidding system is retained whereby Clubs bid for F/S or Academy players in accordance with the reverse draft order. However, this will either occur live on draft night or shortly prior to the draft in order to reflect a far more accurate market value for each player.
- The value of the bid determines the points that must be “paid” by the Nominating Club to secure the player.
- In order to pay for the player, the Nominating Club’s next available pick move backwards in the draft order to the value of the points required.
- If the points required are greater than the value of the next available pick, the remaining points are subtracted from the Nominating Club’s next selection and so on, until all points are paid.
- If a Nominating Club does not have enough points to secure a F/S or Academy selection in a given Draft, the points required will carry over to the Club’s first selection the following year.
  - In this case, points will be deducted prior to the trade period to ensure the Nominating Club pays its points debt, rather than trades picks away.
  - Clubs will not be eligible to participate in the bidding system if they still owe points going into the next draft.

## Applying the discount

- An incentive is required to encourage Clubs to invest in their Academies and select F/S players, however we do not want Clubs to receive too great an advantage for doing so, especially in early rounds.
- A Nominating Club will be required to pay an amount of points equal to the discounted value of the Bidding Club’s pick to secure the player.
- Developing the discount level has been a key focus. Important feedback in relation to the discount was:
  - it must incentivise investment in Academies and selection of F/S players;
  - the concept of “fair value” is most important in the early rounds;
  - in the later rounds it should be easy for Clubs to take a chance on F/S and Academy players so as to encourage these players being listed by the relevant Clubs.
- In the first round, a maximum discount of 20% will be applied
- The discount will then be fixed at 197 points (the discount for pick 18).
- Structuring the discount in this way ensures:
  - “fair value” is paid in the early rounds
  - the listing of F/S players and local Academy graduates is facilitated in later rounds because the discount rises steadily from 20% in Round 1 to 100% at pick 56 (if a player is bid from this point, a Nominating Club need only use their last pick in the draft to list the player).

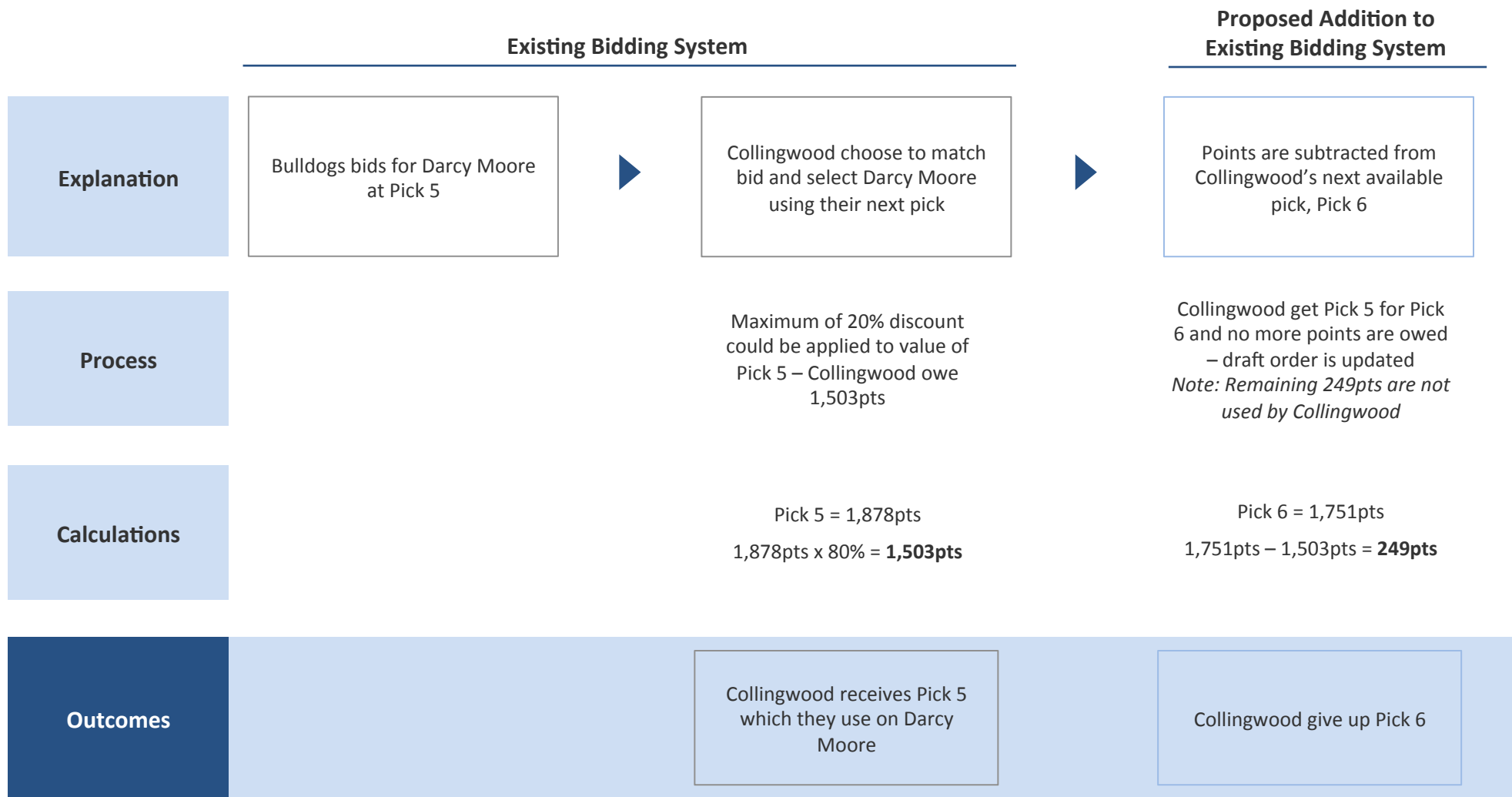


# Example: Isaac Heeney – Swans had picks 18, 37, 38, 57 and 70 remaining



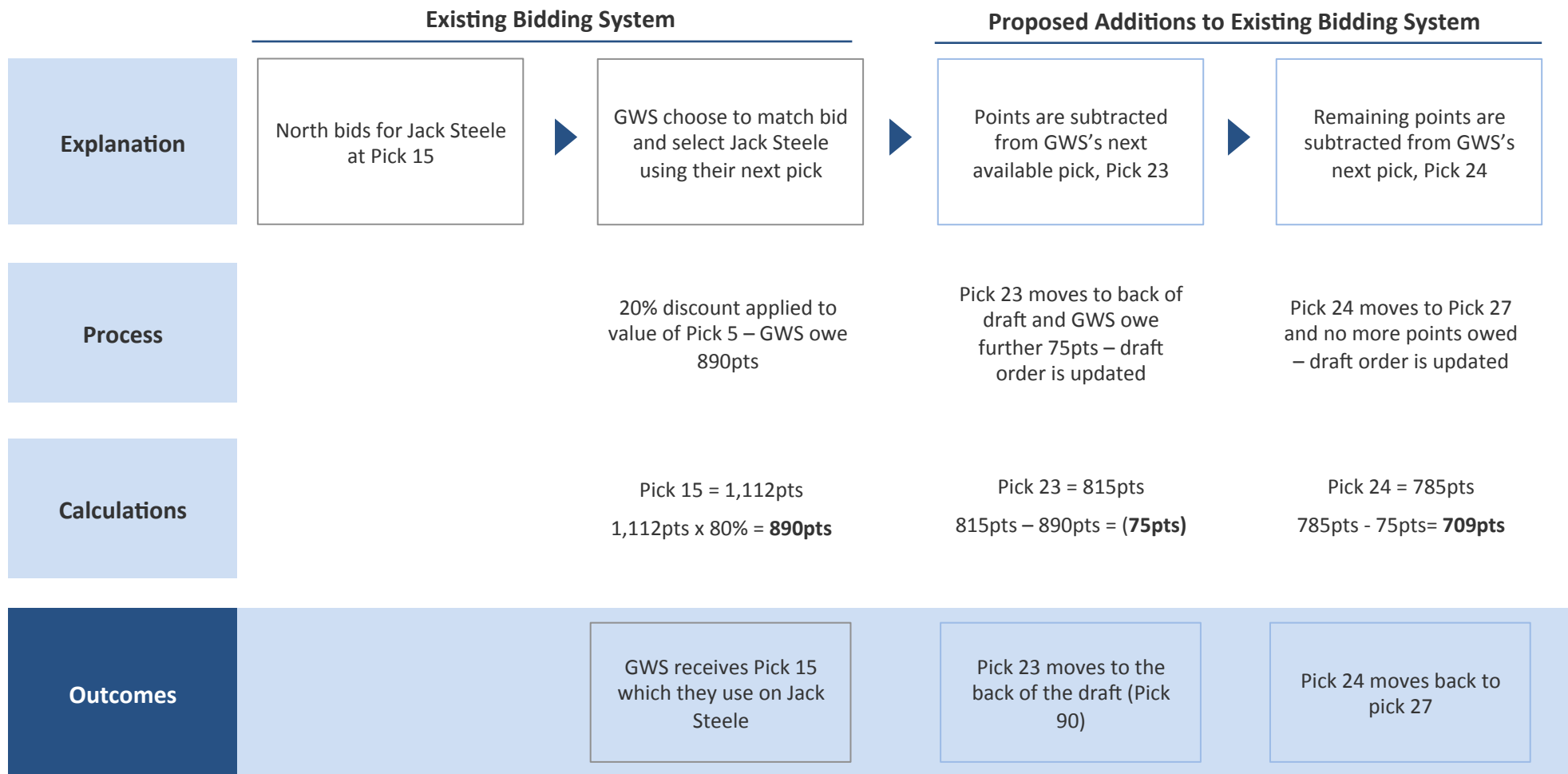
**Note:** Example is based on actual bid for Isaac Heeney, using Sydney's available selections in the National Draft (rather than at the bidding) to show the outcomes if the bidding was incorporated in the National Draft.

# Example: Darcy Moore, Collingwood, 2014



**Note:** Example is based on actual bid for Darcy Moore, using Collingwood's available selections in the National Draft (rather than at the bidding) to show the outcomes if the bidding was incorporated in the National Draft.

# Example: Jack Steele, GWS, 2014



**Notes:** Example is based on actual bid for Jack Steele, using GWS's available selections in the National Draft (rather than at the bidding) to show the outcomes if the bidding was incorporated in the National Draft.

# Example: Billy Stretch, Melbourne, 2014

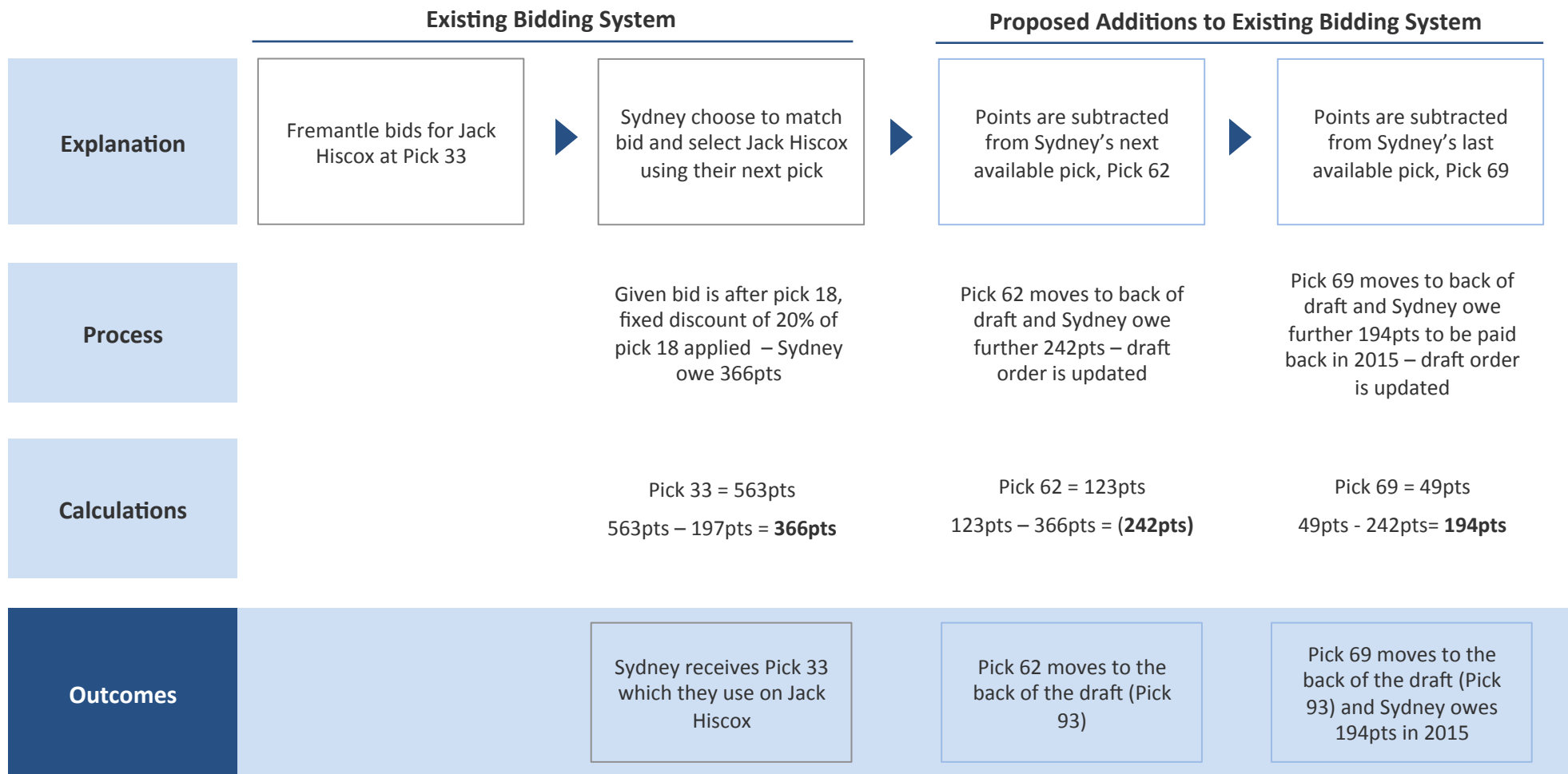
## Existing Bidding System

## Proposed Addition to Existing Bidding System

<p><b>Explanation</b></p>	<p>Adelaide bids for Billy Stretch at Pick 30</p>	<p>▶</p>	<p>Melbourne choose to match bid and select Billy Stretch using their next pick</p>	<p>▶</p>	<p>Points are subtracted from Melbourne's next available pick, Pick 38</p>
<p><b>Process</b></p>	<p>Given bid is after pick 18, fixed discount of 20% of pick 18 applied – Melbourne owe 456pts</p>			<p>Pick 38 moves back to pick 71 and no more points owed – draft order is updated</p>	
<p><b>Calculations</b></p>	<p>Pick 30 = 629pts 629pts – 197pts = <b>432pts</b></p>			<p>Pick 38 = 465pts 465pts – 432pts = <b>32pts</b></p>	
<p><b>Outcomes</b></p>	<p>Melbourne receives Pick 30 which they use on Billy Stretch</p>			<p>Pick 38 moves back to Pick 71</p>	

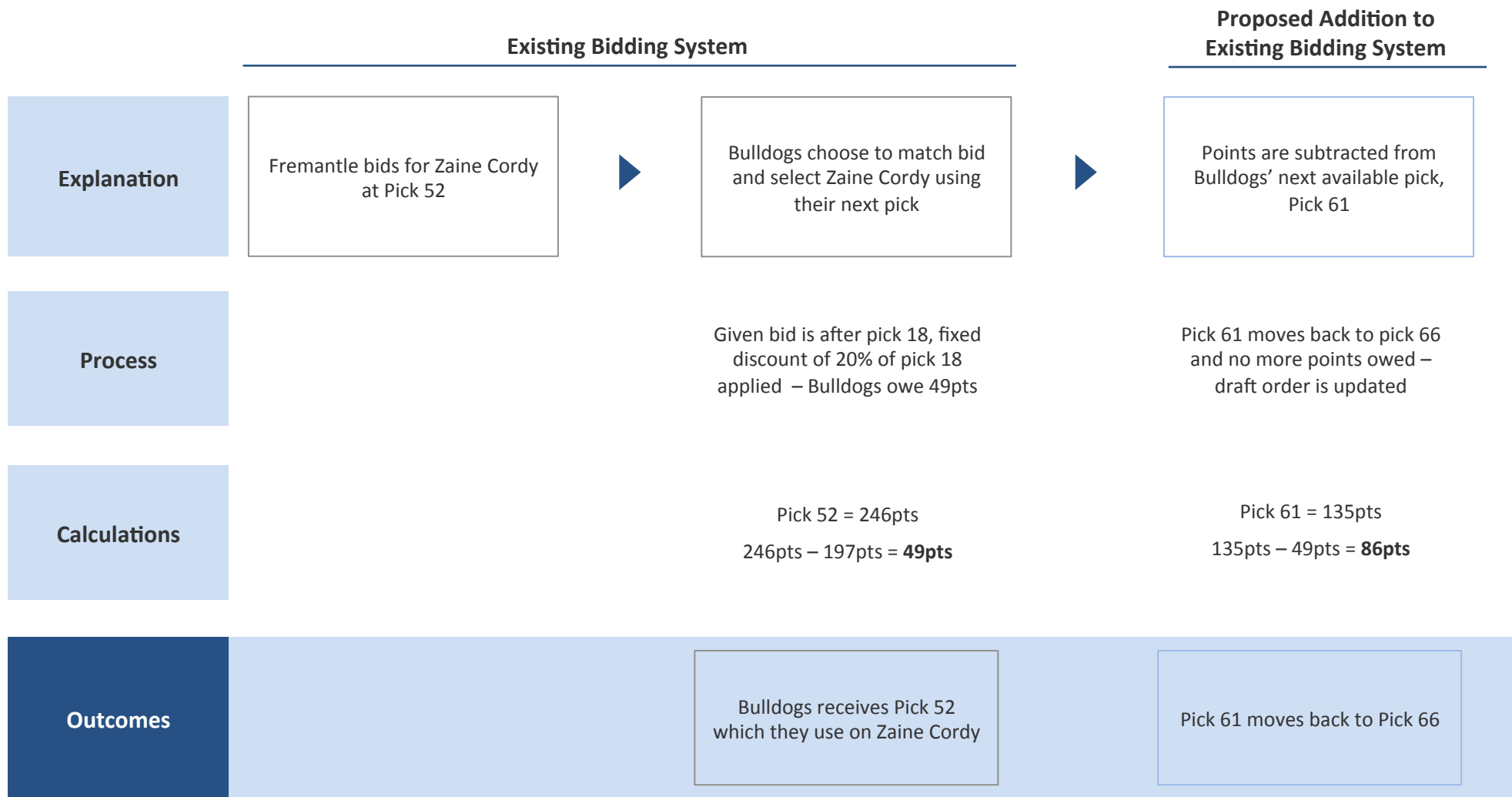
**Notes:** Example is based on actual bid for Billy Stretch, using Melbourne's available selections in the National Draft (rather than at the bidding) to show the outcomes if the bidding was incorporated in the National Draft.

# Example: Jack Hiscox, Sydney, 2014



**Notes:** Example is based on actual bid for Jack Hiscox, using Sydney's available selections in the National Draft (rather than at the bidding) to show the outcomes if the bidding was incorporated in the National Draft.

# Example: Zaine Cordy, Bulldogs, 2014



**Note:** Example is based on actual bid for Zaine Cordy, using Bulldogs' available selections in the National Draft (rather than at the bidding) to show the outcomes if the bidding was incorporated in the National Draft.