

REPORT ON COMPARATIVE SPORTS' GOVERNANCE AND MANAGEMENT

Ladies and Gentlemen,

I have been looking at other sports organisations' structures to get some feel for how others are approaching their governance and management. I have posted a commentary on that on the rvengines.com website and I thank Ralph van Doorn for putting the whole Governance Review page together for anyone interested.

Since then, I have incorporated best management practice material into the mix of constitutional material to produce this final report for karters information.

NOTE: THIS REPORT IS ENTIRELY MY OWN OPINION. IT IS NOT THAT OF THE GOVERNANCE REVIEW GROUP OR THE WORKING PARTY. I AM NOT ON THE WORKING PARTY. I AM NOT PRIVY TO THE WORK OF THE WORKING PARTY.

1. INTRODUCTION

Some of the documentation has been well thought out and is very professional. Canoeing and Flying disc, for example, have gone to great lengths to document form and function as recommended by the Australian Sports Commission. A lot goes to committee delegation but there are also things like qualifying requirements for Board Directors.

I have avoided the 'professional' organisations ie. cricket, AFL, ARL, tennis and swimming both because they have professional directors and substantial paid staff and also because they cater to well over 100,000 individual participants each.

1.1 RESOURCES

1.1a I have obtained the full constitutions of the following organisations from the internet through the ASC sports page.

- Athletics
- CAMS
- Flying disc
- Parachuting
- Canoeing
- Orienteering
- Squash
- Powerlifting
- Volleyball

Each of the documents is on the rvengines.com website.

- 1.1b I also have, from the internet, descriptions/overviews, of the structure of the following although this is of limited assistance.

Ice Hockey
Australian Golf Union
Rowing

These too are available for viewing on the rvengines.com site

- 1.1c I have looked at the entities listed below but haven't seen enough to make more than a general comment so I will simply deal with them now. It's all structure with no clues on the power balance between Board and members.

Touch Football	General Committee comprising State and Australian Defence Forces delegates who elect a Board
Bowls	Council (16 members) consists of one representative from each of the men's & women's State & Territory Associations. Board (11 members) President Vice President 6 Bowling Directors 3 Independent Directors and the CEO.
Fencing	Members are the president, five elected directors and one delegate appointed by each state. Executive of President and 5 elected directors
Karate	Executive appointed by affiliate members, presumably States
Cycling	very sketchy, governance appears to be place with the Board

- 1.1d The other sports' pages had either not enough information or were broken when I looked but I don't think there's any point casting further for organisational structures through other means because the differences are generally in philosophy, structure is structure. (and I suspect some others haven't thought too much about philosophy and just live with what they've been given)

1.2 MY FOCUS

- 1.2a I am only comparing the features of all the various entities in how they deal with membership, executive, powers of the members, powers of the executive and delegations because this is 'governance'. Otherwise, the structures are very similar, including the AKA.
- 1.2b All, with the exception of CAMS, Squash and Athletics, being variations of the Associations Incorporation Act model rules. (as is the current AKA constitution)

2. THE AKA

Some discussion of our present system is necessary if a change to the system is to be advocated. At the end of the day, karters have to be convinced it is broken and irreparable to have them support a change.

2.1 Structure

- 2.1a Our structure is almost unique (Orienteering is similar) in that we really have 2 executives, NKC delegates and the Secretariat who combine to form the decision making body, the NKC. The Secretariat members of the NKC have no vote.
- 2.1b The constitution provides that the Association is managed by the NKC and the Secretariat conducts the affairs between NKC meetings.
- 2.1c What has developed, and this is just my opinion, is that the NKC have taken on all of the governance AND management which has led to the system breaking down. The NKC meets as often as an executive would instead of just as required, ie. once or twice a year, and the Secretariat is not allowed to do it's job. The Secretariat, in fact, has essentially been neutered.
- 2.1d This was surely never intended but it's consequence is the mixing of governance versus management with the result being both are compromised.

More on this in the discussion below.

2.2 Membership

The only members are the State Associations.

2.3 Member Voting

- 2.3a A debate is currently raging over this as it usually does after the AGM. Each state gets a vote at a general meeting and at board level but on two entirely different bases.
- 2.3b For matters where proper and complete notice has been given, the delegate votes for the state's constituents. For matters where no proper or incomplete notice has been given, the delegate votes for himself. In the latter situation, I have support for my view that decisions which conflict with the delegate's instructions could be overturned by a court.

2.3c This is most unsatisfactory be it new or old governance and must be stopped immediately.

2.4 Executive

1. The NKC, a body combining the State delegates and the Secretariat where only the delegates vote.
2. The Secretariat which seems not to have a separate existence.

2.5 Executive voting

1. On the NKC, 7 of the 11 only vote.
2. On the Secretariat, all vote. No provision for a casting vote.

2.6 Delegations

There are a few committees but for various reasons, their effectiveness is limited. They are not well structured, not given adequate guidelines, have limited authority and autonomy and consist of well intentioned personnel but who are not necessarily the best for the job. **I would hope the working party would address these issues regardless of what the outcome is with constitutional change.**

3. THE OTHER ORGANISATIONS

I am going to address the topics as above and how the others deal with them rather than the features of each of association one by one. In this, I am only using the organisations for which I have the full constitution or the professional reports provided for Soccer and Equestrian.

3.1 Membership

ALL the comparative organisations have broad categories of membership from individuals to states to corporations.

3.2 Unitary versus Federal model

ALL of the organisations have a federal structure, national and states, albeit that Parachuting has a North Queensland entity and a South Queensland entity. CAMS is almost unitary.

3.3 Powers Of The Members

- 3.3a In Flying disc and Dancesport, individuals vote at General meetings. Members powers in these organisations are akin to companies and generally to clubs, where the ultimate power vests in the members. *(Interestingly, in Dancesport, a*

postal vote was conducted to approve a special resolution changing the constitution. 457 of about 515 eligible voters participated. How many voters do you think would have participated ?)

- 3.3b In CAMS, whilst the ultimate power of removing the directors lies with the State Councils, otherwise, the directors are the only voters.
- 3.3c In Soccer, I gather, the members were powerless and/or the factions combined with the corruptions of conflict of interest sterilised the call to remove a board of directors who refused to resign.
- 3.3d In Canoeing, Athletics, Orienteering and Powerlifting, the States by their elected delegates, are the only voters at General Meetings.
- 3.3e Squash provides that the States are ordinary members and the Board of Directors are a separate class of member. They have a most interesting dichotomy for voting. For special resolutions and election of office bearers, directors have 3 votes each and ordinary members, 10 plus 1 per 1% of annual subscription amounts. For other business, each ordinary member has 2 votes and each director 1. (* I believe there is a drafting error here – see special resolution, simple majority vote.)
- 3.3f Volleyball have another proportional approach with votes according to capitation fees and the States ranked 1, 2 and 3 having 4 votes each, the States ranked 4, 5 and 6, 3 votes each and the remaining States 2 votes each.
- 3.3g The recommendation for the new Soccer is both proportional, each state has one vote and if more than 50,000 players, 1 extra vote, more than 200,000 players, 1 extra vote and more than 400,000 players, 1 extra vote and has a new twist, each subcommittee also gets a vote.
- 3.3h In Parachuting, individuals and clubs vote.
- 3.3i The new EFA will have voting attached to state member numbers.

3.4 BOARD OF DIRECTORS

3.4a Number

The numbers of elected directors vary from 5 to 9. Independently appointed directors add 2 or 3 to that number where provided for. There seems to be no magic in the number, rather, the issue is necessity: how many are needed to

carry out both the board function, committee function and strategic plan responsibilities.

3.4b Election of Directors

Generally, each state 'elects' a nominee. Most if not all, have no requirement that a state only elects a nominee from its own state.

3.4c Term of Director's election

Flying disc and orienteering have one year terms. Most others have 2, some 3. It would be hard to argue that this isn't preferable as it promotes stability and continuity. All the entities with 2 or more year terms provide for rotational retirement/election, again, the catchwords are stability and continuity.

3.4d President/Chair

CAMS separately elect their President to the directors and the President doesn't have a vote at all. In most organisations, the President/Chair is elected by the Board from among the elected Board members.

3.4e Independent Directors

Almost all, with the exception of Athletics, provide that the Board may appoint independent directors. There is usually a reference to certain skills being desired to bring to the Board.

3.4f Qualifications of Directors

Volleyball and Canoeing prescribe desirable traits for nominees. The new EFA model will ensure it by having a nomination committee.

3.4g Alternate Directors

Athletics have provision for alternate directors as do CAMS.

3.4h Executive voting

3.4h1 In parachuting, there is both simple and proportionate voting on the Board. One vote per delegate is given for election of officeholders but otherwise, each delegate votes with the number of individuals he represents.

3.4h2 So too the Australian Golf Union. Voting is quasi proportional to state memberships in that NSW and Victoria have 3 delegates each QLD, WA and SA 2 each and Tasmania one.

BUT, this is an old style executive, see delegates, and they've made some horrible decisions over the last few years.

3.4h3 Athletics, Canoeing, Volleyball, Squash, Powerlifting, Orienteering, and Flying disc simply have a vote per board member.

3.5 Casting votes

On the chairman's casting vote, some do and some don't. In CAMS and one other, the President/Chair has no vote at all. There are arguments in favour of a casting vote based around breaking a deadlock. There are arguments against, along the lines that breaking a deadlock with a casting vote may be alright for a commercial operation but engenders disharmony which is undesirable in a sporting environment.

The working party and others can wrestle with this.

3.6 Powers Of The Executive

3.6a Only one of these comparative organisations, powerlifting, reserves governance and management powers that only the members can exercise. Powerlifting don't specify in their constitution which powers are reserved, they just provide that the board may exercise any function not prescribed to be exercised only by a general meeting. This is a tidy approach if you want to reserve some powers but the burning question in moving to best management practice is aren't you defeating the purpose where you're whole intention is to elect good management to run your business ? More wrestling.

3.6b CAMS is a lot different. CAMS is almost unitary with a completely centred, all powerful board and which puts the board's total control beyond question by saying so and removing the 'ordinary' members rights at general meeting. There is a lot to be said for the situation being clear.

3.6c The other organisations have the strategic and operational requirements directed from the Board; basically, their differences are only that some have more sophisticated systems to deliver or have more focused/strategic plans. They can be second guessed and ultimately overruled by the members in General meeting. (in which case, an honourable and ethical Board would resign)

3.7 Strategic Plan

One thing stands out in virtually all compared organisations, rather, it leaps out, a strategic plan is set by the Board and procedures are put in place to see that the plan is implemented, followed and varied if need be. In other words, a ways and means exists to see that a plan achieves success and if not why not. (And when we get to it, someone remind me that whilst everyone has the best intentions to see that it meets goals etc. the written test objects are pretty wishy washy)

3.8 Delegations

3.8a All organisations delegate to Committees so I am going to limit myself here to the two I see as benchmarks in the documented cases, Canoeing and Flying disc. Both of these have specific written guidelines for each committee to which they delegate some function.

3.8b Colin Osborne, CAMS President, who was the independent facilitator of the Governance Review Group meeting in July, told the Group why this was so desirable: tell committees what they can do and perhaps go one better and tell them what they can't do.

3.8c Some compared organisations require committee members to have certain qualifications, desirable if you have the luxury of a larger number of interested committee people than you have places for, which, I expect in the large capture of karting, we do.

3.8d Critically, these committees are largely autonomous. They are not big brothered and thereby can attract the right people. If your committees were continually second guessed by the board, you wouldn't keep the good people for long and the same applies if the committees aren't given direction.

4. NEW ZEALAND KARTING

I will deal with this separately both because it is a karting association and it has some interesting ideas and concepts. My rider is that NZ is geographically similar to Victoria and Tasmania and demographically much smaller than just Victoria.

4.1 Members

There are various classes of membership. Licence holders are one class, elected or appointed officers are another and the clubs, club members, and affiliated

bodies, which include 'management' (their word for 'corporate') and associations another again.

4.2 Members Powers

The members powers are limited to the business of the AGM and election of the executive but a special executive meeting and a special general meeting, may be called by 2/3 of the members of the executive or petitioned by 2/3 of clubs.

4.3 Executive

4.3a The executive of 9 plus others as the AGM (called 'National conference') decide, are elected by the AGM for two years. There are 4 nominated positions, President, Vice President, National Steward and National Technical Steward. Another is elected from the South Island, another from the North Island and a further one from either island. The executive appoints one more for one year.

4.3b The executive also appoint, as ex-officio executive members, a National Secretary and National Treasurer. These positions are said to expire with the current term of the executive, a description I find unclear.

4.4 Voting

4.4a At the AGM and general meetings, each club has 1 vote. Proxies are not allowed.

4.4b Office bearers are elected by ballot.

4.4c The National President has a casting vote.

4.4d At executive meetings, all members have 1 vote and the President also has a casting vote. I suspect the ex-officio members don't have a vote but the constitution doesn't say so.

4.5 Powers of the Executive

4.5a General

The executive attends the affairs of the association between AGM's. The National President has written constitutional authority to make decisions between executive meetings subject to ratification by the executive at their next meeting. This power is implied in Australian law but I see a lot of merit in it being written.

4.6 Other appointments

4.6a I quote direct from the constitution:

“The executive may appoint persons as Area Race Stewards, Senior Race Stewards, Race Stewards, Technical Stewards, Machine Examiners, Competition Licence Secretary, Chief Scrutineer, Technical Advisors, Publicity Officers, or any other officers as the Executive may determine. Such persons shall be known as KartSport New Zealand Officers and shall be ex officio members of KartSport New Zealand. Such persons shall hold their position for the term of the Executive. Every newly elected Executive will make and/or confirm such appointments on the recommendation of the Executive, National Steward and/or the National Technical Steward as they consider necessary.”

4.6b These appointments come from nominations by an affiliated body and must undergo appraisal and, if required, training for the position.

4.7 Delegation

4.7a Any changes to rules will be made by the executive but they may delegate consideration of changes to a special rules sub-committee. This committee must include a minimum of 2 and maximum of 4, executive members and a minimum of 2 and maximum of 4, non-executive members. The committee’s appointment is for one year. It’s quorum is 5, 2 of whom must be members of the executive.

4.7b For changes to be made, a 2/3 majority executive vote is required.

4.7c The executive, or where a special rules sub-committee has been appointed, must meet at least twice a year to consider rule changes.

4.7d Any member or affiliated body may submit a written proposal for a rule change. The proposal must then be distributed to affiliates at least 30 days before a rules meeting is held. Any responses must be provided at least 7 days before the meeting.

4.8e The industry is, I think, cleverly included as ‘affiliated’ and consequently has an input like everyone else.

4.9 Other

Another direct quote:

“INTERPRETATION OF REGULATIONS, CODES, RULES, AND SPECIFICATIONS.

Misunderstanding or misinterpretation of any of the Regulations, Codes, Rules, and Specifications does not invalidate them. The correct interpretation when required will be made as follows.

Regulations: National President, Executive.

Codes: National President, Executive.

Rules: National Steward or available on written request from the Executive.

Specifications: National Technical Steward or available on written request from the Executive.”

5. OTHER MATTERS

5.1 Agreement with States

5.1a Canoeing Australia and Volleyball to name just two, embody in their constitutions, an agreement with the State bodies that the State bodies’ constitutions do not conflict with the National’s and acknowledge of and agreement to abide the National body’s rules. Amendment of a state’s constitution generally requires the National body’s consent.

5.2 Method of Incorporation

I have not looked at Association versus company limited by guarantee or other entity because I don’t see the point. Others might. I think 6 of the 9 comparatives here are Associations. (Squash, CAMS and Athletics are Company’s limited by guarantee)

5.3 Written resolutions and meetings by telecommunication

Both are provided for in various forms in pretty much all the organisations. Athletics spells theirs out very well. In this day and age, there is very little justification for meeting often in person. Teleconference is already widely used and videoconferencing is available at most university campuses for hire to the public. Written resolutions and meetings by telecommunication allow greater flexibility of operation and therefore, even if not adopted widely in practice, should be included.

6. DISCUSSION

6.1a As I said earlier, to promote a change to a new structure, karters have to be convinced that the present system is broken and irreparable.

6.1b I say again, in the AKA, the NKC have taken on all of the governance AND management which has led to the both systems breaking down. The Secretariat is not allowed to do it's intended job of managing the Association between general meetings and there is no governance at all. How and why ?

6.3 History

6.3a The original constitution was adapted from something like a sporting club's, the rationale behind the general membership appointing a board or council or committee or whatever you like to call it, is to do the bidding of the organisation rather than calling together the whole membership to do it. This applies to all entities be they multinational corporations or the local bowls club.

6.3b In the AKA though, someone, at some time, has decided to do the opposite and have the members run everything.

6.3c This was cemented in the constitution a couple of years ago when an amendment was made enabling the President to call meetings as he saw fit. This has been a complete disaster. It's made worse because other parts of the system have not been changed to suit. ie. the constitution doesn't require an agenda for Council meetings hence anything could be put to the NKC without notice to the States and the NKC delegates are called on to vote.

6.3d In doing so, they are caught out uninformed, uninstructed and have to decide things based on their own knowledge and experience and without any time to research. See too NKC meeting minutes of 28.9.00, keeping communication within the NKC. This is not good.

6.3e There is a well held impression that the AKA is a "secret squirrel" society: you don't find out what's happening until after it's happened if it's happened at all. If the NKC operates as above, it's not hard to see why. But the NKC delegates are not the alter ego of the AKA, they were never intended to be, they are simply a representative sent along by each state.

6.3f The consequence is a continuing and perpetuating circle of mistrust and paranoia.

6.3g Governance is supposed to be transparent. If it's not, then with the basis of the AKA operation as it exists now, you may well fall into the situation where a powerful figure hijacks the business of the entity for their own agenda.

6.4 NKC delegate process

- 6.4a Because of the debate after the AGM, please excuse me while I go into this a little further.
- 6.4b 'Delegate' means representative, representing the State who appointed.
- 6.4c The system was designed to enable a small group to meet once a year to receive the executive's reports and elect the new executive. There was no necessity to transact business. If there was, someone qualified to do business would have been appointed.
- 6.4d In the instance of general meetings, the delegate system is fine: the members are provided an agenda and, after they in turn seek instructions from their constituents, they instruct their delegate how to vote. A bit cumbersome but completely democratic, inarguably fair. The NKC delegates are voting according to the majority of karters, and that's about 4000 people.
- 6.4e But it's not flexible and can't cope when different, new or other information comes to hand by the time the NKC meets so that NKC delegates are called on to perhaps vote in direct contrast to their instructions. In that situation, the NKC represents a very small group indeed: themselves.
- 6.4f Unfortunately, instead of adjourning matters for which no notice has been given, the NKC have acted, at times erringly.
- 6.4g As an example, look no further than karting's greatest debacle, the 1998 introduction of ARC into clubman, a motion from the floor passed by 5 uninstructed (ambushed ?) individuals who therefore represented only themselves. But you can't blame them for the failing of the system.
- 6.4h Interestingly, on one view, the 2 opponents to the motion represented more than 50% of karters. That 5 votes can defeat 3,500 is unusual logic.
- 6.4i Another good example is the DPE/ARC proposal to allow the ARC A1 engine into National class from 1 July 2004 that was sought to be put to the AGM a little while ago. The NKC is aware if it isn't handled correctly, it has the potential to do as much damage as ARC into clubman.

When was the due date for AGM business ? 60 days before the AGM. What was agendered for the ARC A1 engine ? A presentation. The proposal to allow it into National class though, arrived after all AGM items had been considered by the States and delegates given instructions.

- 6.4j On this occasion, the NKC acted correctly and refused to deal with the late change.
- 6.4k But it makes it a very simple process to manipulate. You just withhold some of the material or your hidden agenda until after the SKC's have instructed their delegates and then provide new information including your agenda at the last minute. (I am not suggesting that was the DPE/ARC intention)
- 6.4l Whilst I don't think the NKC would fall in to the same trap again, that's not the point. They should not be put into that position in the first place.

6.5 Due diligence

- 6.5a The whole ARC into clubman process was invalid but where was the due diligence to ensure that if ARC was going to be let into clubman, that it was done in accordance with the rules ?
- 6.5b The NKC is entitled to assume rule changes have come through the proper channels. It is not up to the NKC to do the due diligence. In some organisations, the CEO or submitting officer has to certify due diligence before the Board will act.
- 6.5c The last CEO fell into error here too.
- 6.5d Concerns too, that in the clubman case above, the written minutes do not appear to reflect what actually occurred.

6.6 Neutered executive

- 6.6a The Vega tyre situation, in my view, is a good example of the neutered executive. As soon as it was discovered it wasn't up to the tendered specification, the Secretariat needed only to require Vega to fix it or terminate their contract.
- 6.6b But the Secretariat thought they couldn't because of the practice of all business being transacted by the NKC. By the time the NKC didn't do anything, our most

popular class is being belted again. (Add silencers and lack of a control muffler and you'd think there was a policy to get rid of it by slow death)

6.6c According to some, AKANSW has some problems. If so, what has the AKA done ? Would it know what to do or what it could do ? I expect not. NSW is the largest constituent by far and if it is in trouble, be it political, financial or otherwise, the damage being done may not be reparable and in the corporate world, that would be ringing alarm bells.

6.7 Unskilled management and popular appointments

6.7a The Winterbottom and Laskakevski affairs are good examples of unskilled management and popularity appointments.

6.7b1 Winterbottom, as you'll recall, turned up at Bolivar and raced on Sunday without qualifying or starting heats 1 and 2 on Saturday. Every man and his dog knows it's not allowed. The stewards shouldn't have allowed it. John McCleverty protested. Messrs. Jenner and Wilson said there was no need to do that and they'd fix it. On the strength of that, McC withdrew his protest.

6.7b2 Jenner and Wilson certainly could have acted but they didn't and a number of people spent a lot of time and money to appeal to set one of the consequences right. And it is still not complete: at the end of 2003, the true CIK champion for 2001 has yet to be installed.

6.7b3 Rule 4.11 is there to enable such an enquiry. All the issues, including dealing with those who sought to openly flout the rules, could have been dealt with at once and in one forum.

6.7c Laskakevski was similar in that the officials should have known the rules but even if not, there was a means for it to be fixed but it wasn't and had to be corrected by more appeal process. (This case involved an error in the Manual where a homologated engine had been left out)

6.8 NKC Managing instead of Governing

6.8a The Noise rules

6.8a1 This rubbish cost karters \$150,000 plus. It cost individuals, including me, more money in mufflers and silencers.

6.8b2 Before it was voted in, I wrote in some detail to the AKA saying why Chapter 24 (Noise) wouldn't work and requesting it not be implemented until thoroughly sorted out.

The letter is annexed.

6.8b3 The then CEO decided the meeting didn't need to see it.

6.8b4 After I protested, he said he would have the letter tabled at the next AGM.

Was it ? This was before they decided to spend \$150,000 on noise meters but they went and did it anyway and what happens ? Almost everything I said was proven true and the AKA have wasted \$150,000 in one fell swoop. Not to mention that affected karters spent \$80 minimum for nothing. Not to mention that we still don't have a control muffler.

6.8b5 Are there other valid suggestions gone this way ?

6.09 Control muffler

Almost 10 years, no excuses.

6.10 Finance per se

6.10a In 1998, the AKA was financially fairly comfortable. Today, it is not.

6.10b Apart from the \$150,000 on noise meters, there hasn't been much by way of explanation.

6.11 Summary example

6.11a To cap it off, let me give you an example of the sum total of the ineffectiveness and functional inoperability of our joint NKC and Secretariat system with the baggage of mistrust and disharmony it now carries. For the recent AGM, there was initially a proposal to join clubman and ARC provided the ARC carried a 5 kg weight penalty as has been so successful in 'Sportsman'.

6.11b I haven't actually heard that anyone opposed it but it didn't happen ! Why ?

Because the weight penalty was omitted from the notice of motion and instead of being corrected, the motion had to be voted against. Paranoia, sheer bloody mindlessness or whatever else but we should all be ashamed.

6.12 The sum total of the Governance and Management policy, the neutered executive, the secret squirrelism and the lack of due diligence is reflected in the factors the Governance Group identified as wrong with the AKA. (they are produced below)

6.13 But it's worse at grass roots, in fact, the impression I get is along the lines of what Crawford's group found in Soccer:

"... mistrust and disharmony, loss of focus, inappropriate behaviour, and concentration on local issues rather than broad whole-of-sport development and 'bigger picture' issues."

6.14 For mine, the present system, tainted by the culture that it has developed, prevents any cure of the present system, even if it could be adapted to best management practice.

7. BEST MANAGEMENT PRACTICE

7.1 The principle

7.1a As you can see in the best management practice documents, there are 2 distinct aspects of the running of any sport. The business of the sport and the conduct of the sport.

7.1b Business is simply the profit and loss, due diligence, governance of the rules and the strategy to ensure it's continued viability. It is little different to running a business to make money.

7.1c Therefore, the business should be run by businessmen and the higher up the chain you go, businessmen's businessmen. Rupert Murdoch, Kerry Packer, Frank Lowy. So haven't Soccer kicked a goal even though Lowy is only interim. If we could attract someone even 20% up that scale, we would be 2000% ahead in terms of governance.

7.1b The sport, on the other hand, is run by sportsmen. The sport is not run by businessmen who mightn't know one end of a kart from the other or care. Their expertise is profit and loss, maximising profit, minimising loss. Their objective is return to the shareholders for the shareholders faith in investing in the enterprise.

7.2 Our abilities and the CIK/CAMS criticism

- 7.2a Take it with a grain of salt.
- 7.2b The CIK can't run their own show and the CAMS statement that you could cut and paste AKA for SA in the Crawford report is pious, big noting nonsense.
- 7.2c We are recognised internationally for our ability and tenacity in sport and karting is no exception. We can do it better but we do it damn well.
- 7.2f Remember that and remember too, that Colin Osborne readily admitted the pain CAMS went through to get it's house in order. They had many problems and more embarrassing, because they are the FIA delegate. eg. Bob Jane out of the fold running NASCAR and AUSCAR, karting in NSW.
- 7.2g And one more thing because it's part of the culture problem. CAMS also suffered, rightly or wrongly, for the reports on Targa Tasmania which in the early years, supposedly wrecked and damaged more Ferraris and their occupants per kilometre driven than in the 40 odd preceding years of the marque ! (Just because you drive a Ferrari doesn't mean you are a Ferrari driver)
- 7.2h This may only be partly right but that's not the issue. People think it. People think the AKA is a cot case largely because there is so much bitterness and blight and innuendo and you name it, coming from NSW. But is there actually anything wrong in NSW ?

7.3 Soccer

- 7.3a I've opened on Soccer, and it is worth looking to for guidance. What exactly is their plight ? Crawford says at page 7:

"The Committee was made aware that over the past two decades, soccer in Australia has found itself addressing a series of crises evidenced more recently by: a) severe financial problems (members equity of Soccer Australia was a negative \$2.6 million at 30 June 2002); b) reduced staffing levels; c) political infighting; d) lack of strategic direction and planning; and e) mixed results on the field in the international arena.

*Submissions made to the Committee provided evidence that many of the constituent bodies of Soccer Australia had similar problems, **with organisations***

competing in some states in the administration and staging of soccer. This has resulted in a plethora of problems that can generally be defined as mistrust and disharmony, loss of focus, inappropriate behaviour, and concentration on local or factional issues rather than broad whole-of-sport development and 'bigger picture' issues."

- 7.3b Well we certainly don't have organisations within states competing against each other but we are guilty of some of those same consequences.
- 7.3d We already have our experts in running the sport. This is not to say all our officials are experts, far from it, but the foundation is there and best management practices will bring more out from the wings who don't get involved because of the system. (Which is why we end up with popular appointments not necessarily the ones best suited for the position)
- 7.3e But the sport's experts aren't necessarily experts in business and whilst they generally give of their best because no one else offers, shouldn't be asked to.
- 7.3f We have to go and get our business experts to run our business but none would touch it under the present structure. As Colin Osborne put it so well, you would only entertain professional board members for about 5 minutes discussing how many threads were required on a hub before being told that was not the business the board was elected to do. But that's what the NKC does.
- 7.3g Therefore, as the film theme so profoundly says, 'build it and they will come'. In the film, you will recall, Kevin Costner built a magnificent baseball field amongst his crops and the players came.
- 7.3f For us, we have to build a structure based on best management practice. In my view, that is the easiest job of the lot in revising the structure of karting. More difficult are turning the karting culture around to trust a board to run the business.
- 7.3g This is one reason Crawford has recommended an interim board for Soccer.
- 7.3h The new structure will therefore need to accommodate the bases for building confidence in the population such as the requirement for directors to be qualified, the requirement for a strategic plan, the requirement for various committees to be appointed then setting the guidelines for their operation.

7.4 Necessary skills for Board members

7.4 As for the skills required for board members, this is what the EFA review says:

To this end the Board should comprise people who can combine the best interests of the sport with the best interests of the business of the sport.

The skills and attributes of directors should include:

- An understanding of governance and the ability to separate governance and management issues*
- A strategic/future perspective*
- General business skills and understanding, especially financial*
- A sound knowledge of the sport and its issues*
- A willingness to work as part of a team*
- A willingness to do the work associated with governance, including participation on Board committees and working parties*
- A commitment to the duties and responsibilities of the Board, legal and moral.*

7.5 Do we go interim too ?

7.5a The 'yes' argument is based on the need to institute change immediately and that it is necessary in turning the karting culture around to trust a board to run the business. It is also necessary because we don't have paid staff to work up the guidelines and standing orders.

7.5b There are other reasons Crawford recommended an interim board and we may be well advised to take his advice:

To bring about change in an expeditious and prudent manner, the Committee recommends immediately appointing an interim board of Soccer Australia for two years.

The Committee believes an interim board is necessary because:

- the present Board does not have the confidence of the majority of stakeholders and was elected in a time of upheaval within the sport*
- to bring about change there is a need for appropriately skilled people to be appointed to positions of authority*
- there is a need for a governance structure to be in place that is capable of dealing with the day-to-day issues confronting soccer while at the same time addressing the structural and constitutional reforms necessary for the future*

• *there is a need to revise the constitution of Soccer Australia. Considerable work will need to be done ... to implement structures, including standing committees, to enable the future Board of Soccer Australia to be elected in accordance with the recommendations ..*

7.5c Whilst not all that applies to karting, he is saying that the new constitution should come with a package of standing orders, guidelines and delegations not a piecemeal introduction of a constitution followed by a strategic plan followed by a determination of what committees are required followed by protocol for committee etc. etc.

7.5d The 'no' argument is cogent too. We have a good state operational structure if New South Wales gets back on track. We can use the current protocol to deal with management because that is basically what it is doing now. Then the board could work quite independently on the strategy and big picture issues including the plan and the committees.

7.5e Another crocodile for the working party to wrestle with.

7.6 Review Group's meeting

7.6a At the Governance Review Group meeting in July, the Group recognised what wasn't working in the AKA structure and what was required to make it work better. We just didn't put all of it in the same terminology of the professionals who have done the exercises and written the guidelines.

7.6b It's not rocket science, because no one had to think about answers to CO's questions, they just flowed.

7.6c This is what was identified as AKA structure problems: My comments are in italics.

1. Centralised *the NKC does all the management, it doesn't govern at all*
2. Lack of delegation *because there is a lack of skilled directors, the committee structure is wrong, the number of committees inadequate, more skilled personnel are required*
3. Conflict of interest
4. Democratic election
5. Complexity of decision making process, too many layers

6. State based/parochiality *My personal view is this is not correct. Decisions are not state based at national level and when has there ever been an instance of them voting yes and us voting no because we don't like them ?*
7. Lack of proportional representation *I don't have an issue with this, others do. Whether those who do advance it say it should apply as regards the Board as well, I don't know.*

PART OF THE PROBLEM IS THE TERMINOLOGY: "REPRESENTATION" IS A COMPLETE MISNOMER. THE BOARD REPRESENTS THE ENTIRE ASSOCIATION NOT THE CONSTITUENTS WHO APPOINTED THEM INDIVIDUALLY.

8. **Management vs. governance oriented**
 9. Popular/available officials as opposed to the best officials *This results from 8*
 10. Not for profit
 11. State body membership not individual
 12. Expensive *in what sense ?*
- 7.6d Similarly, assessing the value of a new structure works just the same. Having identified the problems and what you see as desirable in a new structure, you just ask yourself whether that fits with the models variations being put to you.
- 7.6e This is what the Review Group identified as desirable in a new structure:
1. Skills based governance
 2. Skills based subcommittees
 3. Office bearers must be accountable by election, both up and down
 4. cost effective, value for money, efficient and timely
 5. big picture focus, (helicopter view) strategic (board) not operational (committees)
 6. office bearers are independent in the objective sense, but unfettered
 7. equal and fair representation of members and not necessarily State based
 8. K.I.S.S. no double processing
 9. delegation of authority to committees who are accountable
 10. appointment of directors including outsiders in addition to elected directors
 11. volunteer based and not for profit
 12. transparency
 13. a mechanism which effectively and productively relates to the industry
 14. who are the members going to be
 15. multiple classes of membership
 16. maintenance of some form of state (sub) structure

7.6f Well, well, well. **ALL** of the things that the professional reviewers say and then some! Isn't it sad Crawford and Co got paid six figures and the EFA mob five plus and we did the same for nothing.

7.6g This is what Crawford said about Soccer:

"... there is a need to implement changes that:

1 ensure the governing bodies are independent and capable of acting in the best interests of the sport as a whole

2 separate governance from day-to-day management by implementing an effective governance and management structure

3 ensure that all stakeholders have the opportunity to be heard, that is, change membership and voting structures at national and state levels

4 restructure the relationship between Soccer Australia and the NSL.

The Committee believes it is fundamental for the administration of soccer in Australia, through Soccer Australia, to have a truly independent board that has the responsibility to develop policies and strategies for the future of the sport and to contribute to international issues through FIFA. This will require the current constitution to be redrawn and a new Board to be appointed.

The Board of Soccer Australia should at all times be acting in the best interests of soccer in Australia. Board members should be independent of special interest groups and through strict adherence to appropriate governance principles free of any conflict of interest of a financial, personal or representational nature. This call for independence of Board members means they are to have no official position on another soccer body nor receive any direct or indirect material financial benefit from Soccer Australia in accordance with appropriate governance principles.

7.6h This last paragraph doesn't apply to the AKA except that it's a good statement as to the personnel required to be on the board.

7.7 **The EFA report**

7.7a Finally, some wisdom from the Equestrian Federation review. The EFA would have similar numbers to karting if we took into account all the non licenced 'members'.

EVERYONE FROM THE NKC THROUGH THE GOVERNANCE GROUP TO THE CLUB EXECUTIVES SHOULD READ IT.

- 7.7b The following is what the EFA board recommends from it's consideration of the professional review done on it's structure.
1. Federal structure
 2. Shareholders Agreement: determine and document what National does and what State does
 3. Board: 5 elected by States plus 2 independents
 4. Board nominations committee of one director and 3 non executive members
 5. Board term: 3 years x 2 terms
 6. Chair: elected by Board
 7. Board members not to hold office in States
 8. Rider representative: ie. additional Board member of major interest group, not required
 9. Governance:
 - A Audit and risk committee to set strategy and monitor plan
 - B formally set delegation to CEO
 - C Boards own performance assessed annually
 - D Written Board Charter: I will see if I can get a copy
 10. Annual National forum of key stakeholders to develop strategy conducted as a workshop with an independent facilitator. (*GH: This is NOT the AGM but as many stakeholders attend the AGM, could be held in conjunction*)
 11. Cohesive National and State planning system (ensure no inconsistencies between management at each level)
 12. Discipline Committees: as required, skills based and review after 2 years

8. BEST NEW STRUCTURE FOR AKA

8.1 Members

- 8.1a No controversy here, we must provide for various categories.
- 8.2b I would add, similarly to the NZ approach, industry members as a separate category. You might also consider a separate class for board members (such as in CAMS) or include them in a wider defined 'ordinary members'.

8.2 Member voting

- 8.2a Proportional or simple ?
- 8.2b Crawford says proportional voting provides a basis for more of the stakeholders to have a say but Soccer has hundreds of thousands of participants but a say in

what ? Electing the board ? If the board is all powerful, is there a point ? Aren't you just starting another argument ?

8.2c In the EFA report, a case has been put up to remove State boundaries and I know at least one in the Governance Review Group who is thinking along these lines.

8.2c1 In the EFA, northern NSW would join South Qld. and NT would join a new North Qld branch.

8.2c2 In Parachuting, Qld is divided into 2.

8.2c3 I will play devils's advocate here to throw up some hurdles in front of it:

A you could remove state voting block lines but doesn't it open a real can of worms ? ie. Remembering juniors etc can't vote, you are talking 4000 voters ?

So for equal representation, you would need 7 groups of 600 to get 7 directors. You could geographically work it out but is it going to help in the long run to provide anything other than peace of mind ?

B 600: thats pretty small. So small, why not let them vote directly ? More worms. Or,

C You have one large club, Sydney, 1000 + of those 4000 alone. Do we split this club into 2 to vote nationally ? Sydney KC West and East and someone to control what may arise from that?

At least all the fights would be isolated to one area. Or,

D Maybe we have the Sydney Kart Club 2 votes and the rest of Aus 6 votes: The old Us (the States) and them (the AKA) just became the SKC and us.

But one dire reality there is that there are only a few interested people in running the whole club copping it from all sides by 25 of us others. You could do it of course but for what ?

8.2c4 My 'for what ?' relates to the premise that if you have an all powerful Board, the members rights are limited anyway to such an extent that why would you bother.

8.2c5 I have also commented that 'representation' is a State based notion and should be avoided.

8.2c6 NSW have proportional voting subject to further Government requirements to install the constitutional changes properly. Some say they need it. Others say they only need it because of the parochiality.

8.2c7 There won't be one right answer on this and it will be interesting to see how the working party then the Governance Review Group deal with it.

8.3 Powers of the members

8.3a There could be controversy here if you went more or less from the base of electing and removing the board members, petitioning for a general meeting, changing the constitution. eg. Powerlifting's reservation of rights, CAMS having their Board as the only voting class.

8.4 Executive

A. Options:

1. one elected by each state from within the state
2. one elected by each state from anywhere in Australia
3. 3 elected by NSW, 2 each by Vic and Qld, one by SA, WA, Tas and NT or some other proportional basis
4. 7 elected by states
5. 7 elected by karters

8.5 Term

8.5a 2 – 3 years, annual half board election is widely used

8.6 Qualifications for directors:

8.6a This is also not controversial in either other organisations or best management practice literature.

8.6b1 It is preferable, but not strictly required if otherwise an excellent candidate, to have considerable experience in karting as a competitor, official or child competitor guardian.

8.6b2 It is mandatory to have experience in legal, accounting, corporate management, corporate governance, marketing etc.

8.6b3 It is preferable that you are not a beneficiary of a contract or arrangement with the AKA, a state or club but if so, to give strict disclosure as required.

8.6b4 It is mandatory that if you are elected nationally, you then resign from any state and/or club position.

8.7 Powers of the executive

8.7a With the exception of powerlifting's reservation and electing themselves and being removed, all examples have an all powerful Board.

8.8 Executive voting

8.81a Not much variance from 1 vote each but some are proportional.

8.9 President

8.9a The Board elects the Chairman in most sports. CAMS do it separately. Another option is a popularly elected person by the karters. (suitably qualified to be on the board though)

8.10 Casting vote ?

8.10a See earlier discussion on desirability.

8.11 Delegations

8.11a Most have on the Governance side, an Audit and Risk Management Committee, a Corporate Governance Committee. Desirable might be a Nominations Committee which could be at fully arms length from the Board or include an executive.

8.11b Then you will require various specialist sports technical committees.

8.12 Specialist committee voting

8.12a NZ have 2/3 majority vote on technical committees but if you require consensus, theoretically, you will get more input to resolve impasses. Rhetorically, you can get watered down production. If you set a bar, the opponents may give up once the bar is reached but it generally doesn't hurt to set a bar. More crocodiles for the Working Party.

8.13 Strategic plan

8.13a No controversy here either. It is mandatory.

8.13b In the EFA they say the Board sets the strategic direction and a committee then sets a plan to give life to the direction. The members are consulted on the latter. The States can then plan at their tier accordingly. A forum is provided for.

8.13c This process might resolve my own doubts that the plan doesn't have adequate check procedures to ensure it is carried through.

9. CONCLUSION

9.1a I have some preferences from what I have seen and a couple of other things to throw into the discussion when the working party gets to the stage of calling for submissions.

9.1b I have no idea what the working party are doing and I do not want to make a judgment until I see their ideas. As you can see, the working party have a lot on their plate in just thrashing out what is available in alternative structure for karting that will work for karting.

In finishing, I welcome feedback but I have spent so much time on this and not enough on my work, please put it in writing.

Graeme Hancock

9.10.03