



**AFL ADMINISTRATIVE STRUCTURE
REVIEW - FINDINGS
March 1993**

D. A. CRAWFORD

National Sport Information Centre
Australian Sports Commission
P.O. Box 176
Belconnen, A.C.T. 2616, Australia

KPMG Peat Marwick

Chartered Accountants

KPMG House
161 Collins Street
Melbourne VIC 3000
Australia

GPO Box 2291U
Melbourne VIC 3001
Australia

Telephone: (03) 288 5555
Telex: 32 168 PEATMEL
Facsimile: (03) 288 6666

Our Ref:

RI/p/00992/AFL/DAC

1 March 1993

The Directors
Australian Football League Board
Brunton Avenue
JOLIMONT Vic 3002

Dear Sirs

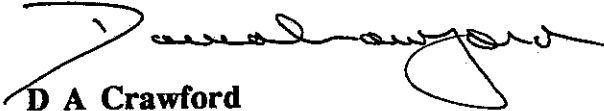
Further to my appointment to conduct an independent review in accordance with a resolution passed at the Board of Directors' Meeting on 11 August 1992, I have pleasure in submitting my report and recommendations.

I acknowledge the co-operation received from all aspects of football administration, including the Commission, Clubs, AFL Directors and management of the AFL.

I will be happy to discuss the report and amplify any issues at the meeting to be held today.

Thank you for giving me the opportunity to participate in this review.

Yours faithfully


D A Crawford



Member Firm of
Klynveld Peat Marwick Goerdeler

NATIONAL SPORT INFORMATION CENTRE
AUSTRALIAN SPORTS COMMISSION
LEVERNIER STREET
BRUCE A.C.T. 2617
AUSTRALIA

INDEX

Heading	Page No.
EXECUTIVE SUMMARY	1 - 4
BACKGROUND	5 - 9
METHODOLOGY	10 - 12
THE REVIEW	
STRUCTURE OF THE COMMISSION	13 - 19
<i>Recommendations : Structure of the Commission</i>	16 & 17
<i>Recommendation : Transitional Arrangements to Appointment of Part-time Commissioners</i>	18
<i>Recommendation : Method of Future Appointment</i>	18 & 19
POWERS OF THE CLUB	19 & 22
<i>Recommendation : Powers retained/granted to the Clubs</i>	20
Appointment of Part-time Commissioners	21
Admission, Expulsion, Relocation or Merger of a Club(s)	21 & 22
POWERS OF THE COMMISSION	23
<i>Recommendation : Power of the Commission</i>	23
AFL BOARD OF DIRECTORS	24
<i>Recommendation : AFL Board</i>	24
ACCOUNTABILITY OF COMMISSION	24 & 25
RELATIONSHIP BETWEEN THE COMMISSION, THE CLUBS AND THE MANAGEMENT OF THE AFL	25 - 30
Communications	25 - 27
<i>Recommendation : Communications</i>	27
Forward Planning	27 & 28
<i>Recommendation : Forward Planning</i>	28
Player Rules	28 & 29
Conflict between AFL and Clubs	29 & 30
<i>Recommendation : Marketing and Sponsorships</i>	30

EXECUTIVE SUMMARY

The terms of reference for the review as agreed by the AFL Board of Directors are:

"Conduct an independent review of the AFL administrative structure examining specifically:

- i) the respective role and responsibilities of the Commission, Board of Directors and management of the AFL;
- ii) the structure of the Commission, Board of Directors and management of the AFL; and
- iii) the relationship between the Commission, the Board of Directors, management of the AFL and the Clubs."

Much has happened since 1984 when the Commission was established and there have been significant achievements since the Commission was given its real power in December 1985. The ceding of authority on many issues was a significant step taken by the then VFL Board of Directors and for this, the Clubs should be congratulated.

Organisations should be dynamic and responsive to changes - hopefully to initiate but if not, to then be capable of responding to changed circumstances. The achievements to date and the resulting changes in the size, scope, financial impact and importance of AFL football in our community today, dictate that it is now time to perfect the process started in December 1985. It is time to take the next step forward to better ensure that the administration of AFL football can move with the times and take advantage of the many opportunities that exist to achieve the aims and philosophies of the AFL which are stated to be to promote, plan and generally manage the sport of Australian Football in a professional manner in order that it achieves its full potential now and in the years ahead.

To achieve this there is a need for an ongoing independent Commission with clearly stated powers, capable of taking objective decisions in the long term interests of AFL football.

The main recommendations contained in this report may be summarised as follows:

Structure of the Commission:

The Commission should be retained with part-time Commissioners being appointed for three years by the AFL Clubs at the Annual General Meeting of the AFL. The Commission be expanded to eight Commissioners, including at least two Executive Commissioners.

There should be a part-time Chairman appointed to chair meetings of the Commission, meetings between the Commission and the Clubs and to act as a sounding Board for the Chief Executive Officer.

There should be a Chief Executive Officer who is a voting Commissioner as a matter of right, and who is responsible for the implementation of the policies adopted by the Commission, the operating performance of the AFL and be the public face of the Commission.

A minimum of two Executive Commissioners to be appointed by the Commission, but with the exception of the Chief Executive Officer, not to be a voting member of the Commission.

Casual vacancies in the office of part-time Commissioner to be filled by the Commission, but such appointee to retire at the next Annual General Meeting.

Transitional arrangements are proposed and include proposals for:

- (i) the appointment of an independent party to consult with Clubs and to make recommendations by end of March 1993 as to suitable appointees to the Commission, including the position of part-time Chairman. Clubs to vote on the appointment to a restructured Commission during the first week of April 1993. Pending such restructuring the existing Commission to remain in office.
- (ii) the staggering of retirements of the restructured Commission to ensure that the AFL Clubs will be able to vote on the election of at least two part-time Commissioners each year.

Powers of the Clubs:

The Clubs to retain the powers to:

- (i) appoint part-time Commissioners at an Annual General Meeting of the AFL; and
- (ii) to have ultimate rights to admit, expel, relocate or require a merger of a Club by a 75% majority of Clubs voting to reverse a decision of the Commission.

Each Club to have one vote exercisable at duly constituted meetings of the AFL.

Powers of the Commission:

The powers of the Commission to be altered to enable it to take and implement all decisions relating to the administration of AFL football accept for the -

- (i) appointment of part-time Commissioners;
- (ii) the implementation of a decision to expel, admit, relocate or merge an AFL Club without consulting the Clubs.

AFL Board of Directors:

The AFL Board as currently constituted be abolished and to the extent that a Board of Directors is required by law, the Commissioners to fulfil that role.

Relationship between the Commission, the Clubs and the Management of the AFL:

A number of matters are raised in the report and recommendations made to address apparent deficiencies. These encompass Communication, Forward Planning, Player Rules and Conflicts between the AFL and the Clubs.

Other issues were raised during the review and which are worthy of further investigation, but which may more properly be regarded as coming under the purview of the restructured Commission. These include the extent to which there is duplication of work done at AFL and Club level, the extent to which appropriate skills are available to the Commission in the current management structure and the way in which football is developed nationally.

Summary:

Many of the matters that have been raised and which are areas of legitimate concern could equally be characterised as problems of each of structure, relationship, administration and communication. Most of these issues will be resolved if the overall structure is correct and the right people with the necessary skills are appointed to the Commission.

The review did highlight that the structure of the AFL management does need to be critically reviewed and that review has already commenced. There have been significant gains during the past few years and advances have been made. There is a need for the administrative structure to change to cater for the new environment. There is no doubt that one of the tasks of the newly structured Commission should be to ensure that that review, which should incorporate a financial accountability study, be completed in the shortest possible time frame.

The proposed changes, if adopted, will require significant amendments to be made to the Memorandum and Articles of Association of the AFL. The appropriate resolution would appear to be that the requisite amendments to adopt the proposals agreed to by the Clubs be implemented with a suitable person being nominated to ensure that this is done within a defined but limited timeframe.

BACKGROUND

In 1984 the Board of Directors of the then Victorian Football League (VFL) voted to appoint on a trial basis an independent Commission to administer the VFL competition which at that time comprised twelve teams, eleven of which were based in Victoria and one in New South Wales.

There was a recognition that in the interest of the competition as a whole and the intense inter-Club rivalry which exists and which is the very foundation upon which the competition survives, there was a need to introduce an independent body to administer that competition.

The decision was taken against a background of looming (if not actual) insolvency for many Clubs, dissatisfaction with the lack of forward planning and strategic direction and questions being asked as to the manner in which the competition was being administered. Mr Justice Crockett in handing down his decision in 1983 in the Silvio Foschini case described the VFL as a "confederation of sworn enemies" - a most apt description.

Having established the Commission there was a need to clarify the powers that were invested in the Commission and the relationship between the Commission, the VFL Board of Directors and the individual Clubs.

The Commission in association with Pappas Carter Evans & Koop prepared a report entitled "Establishing the Basis for Future Success" which was presented to the VFL Board in October 1985 and adopted at that time.

At a meeting of the VFL Board of Directors held on 4 December 1985 it was resolved "that the League entrust to and confer upon the Commission all of the responsibilities and powers exercisable by it with the restriction that the Commission may not, unless otherwise expressly authorised by the League, exercise any of the powers of the League:

- (a) to admit any Club to or expel or suspend any Club from the competition;
- (b) to amalgamate or join in any other League;
- (c) to take over the administration of any additional Football Club;
- (d) to approve the move of any Clubs out of Victoria;
- (e) to provide financial assistance to any Club (other than by payment of advances of final dividends) or to guarantee the obligations of any Club;

-
- (f) except expressly authorised in any budget approved by the Board of Directors, to purchase or dispose of any capital asset with a cost of more than \$100,000;
 - (g) except as expressly authorised in any budget approved by the Board of Directors, to borrow any money otherwise than for the ordinary purposes of the League or to give any security for any such borrowing;
 - (h) to undertake any major capital works (including major works in relation to existing assets of the League) involving a total expenditure of more than \$100,000;
 - (i) to exercise any of the powers of the League in owning or operating any television or radio station;
 - (j) to appoint the representatives of the League on the National Football Championships Pty Limited; or
 - (k) to amend any of the Laws of the Game."

That historic resolution involved the VFL Board and thus the constituent Clubs comprising the VFL taking a decision which would change the fundamental way in which football would be administered in the future.

It will be seen from a careful reading of the above that with the exception of the matters listed which can be summarised as restricting the Commission from taking decisions on:

- (i) Admission, Expulsion, Merger or Takeover of a Club;
- (ii) The granting of financial assistance to Clubs or dealing with assets with a value in excess of \$100,000; or
- (iii) Amending Laws, appointing NFL representatives or running TV stations;

the Commission was invested with very wide powers to administer football. In respect to the excluded matters, the Commission retained the right to consider these issues and make recommendations to the VFL Board which retained ultimate control.

Whilst the above resolution is quite clear in defining the authority of the Commission, a number of factors have contributed between December 1985 and today to a blurring of the lines of demarcation between the actual or ostensible authority of the Commission compared to the authority retained by the (now AFL) Board and the individual Clubs. These factors include:

- there is currently only one Board member who was a VFL Board member in 1985;
- four of the current six Commissioners have been appointed since 1985;

-
- the competition has expanded with the admission of Clubs from Western Australia, South Australia and Queensland with consequent new faces at the table;
 - the people now involved in the administration of many of the Clubs are not the same as those who were there in 1985;
 - parochial interests continue to dominate the actions of many Clubs;
 - significant changes have been introduced to the structure and administration of football;
 - there has been a lack of adequate communication/education of "new faces" whether they be AFL Board members or individual Club administrators, on the history leading to the present;
 - the lack of clarity or understanding of when consultation with respect to particular issues stops and the "right" to participate in the decision making starts;

This blurring/confusion was no doubt added to by a resolution of the AFL Board on 12 August 1987 that "the following matters were to be referred to the Board of Directors for discussion and, if felt necessary, for policy recommendation to the Commission. Any additional issues not included or evolving in the future should also be referred to the Board of Directors in instances where a policy recommendation was essential. Any other matters of operational significance should be referred to the General Managers Conference for consideration; - Appointment - Commission; Finances - Clubs; Licence Agreements; AFL Waverley; NFL - Future role and structure; Laws of the Game Panel of Review; Day Competition; Night Competition; Review - Memorandum and Articles and Rules; VFL Capital Expenditure - over \$100,000; Ground Rationalisation; Television Rights; Sponsorship Rights; Possible mergers/relocations; MCC/MCG Trustees; Attendances; Club Membership; Advertising Campaigns; Overall operation - Tribunal including other States; Appeals Board; AFL - International matches - policy; NFL - International matches Vs. Ireland; Management Structure/Staff; Life Member - Titus Award; Final Series - Ticketing; Marketing Policies; Sale of Assets."

It is important to understand that the need for the current review is a result of many factors, not the least of which is that the Commission has been successful in the implementation of most of the recommendations contained in the 1985 report and there have been significant achievements over the past seven years. There is often a concentration on matters yet to be done or criticism of what has been done and little attention paid to achievements. Some of these achievements include:

-
- the establishment of a national competition;
 - the improved financial position of the AFL and most of the Clubs. (In 1985 the majority of Clubs would not have been able to satisfy the test of solvency if that question had been asked);
 - ground rationalisation resulting in significant improvements in spectator comfort and facilities for the public and the Clubs;
 - the introduction of the salary cap and player draft which has ensured the survival of those Clubs which did not have the financial strength to "buy" a premiership;
 - the agreement with the MCC trustees leading to the building of the Southern Stand and the significant improvements in facilities and the ground;
 - increasing sales of Club memberships and spectator attendance despite the increasing competition from other entertainment activities.

On the debit side the more recent difficulties experienced by the Commission and the AFL Board in dealing with inter alia the financial problems of the Sydney Swans and the Fitzroy Football Club demonstrate that there is a need to review the administration of the competition and to consider changes in the context of the long-term planning and strategic direction for the future.

The Commission and the AFL Board met during the 1992 season to discuss these issues. It was agreed that it was an opportune time to examine the relationships and responsibilities of the administering bodies in order to provide recommendations as to an optimum structure with the best prospect of successfully developing and implementing the plans for the future.

The terms of reference for the review were agreed to be as follows:

"Conduct an independent review of the AFL structure examining specifically:

- (i) the respective role and responsibilities of the Commission, Board of Directors and management of the AFL;
- (ii) the structure of the Commission, the Board of Directors and management of the AFL; and
- (iii) the relationship between the Commission, the Board of Directors, management of the AFL and the Clubs."

To assist in the review a Commission appointed Sub-Committee of the Board was appointed to act as a point of reference when the independent reviewer requested assistance but the Sub-Committee was to have no power to direct the reviewer in the deliberations.

The review was not to commence until post 1992 Grand Final and was to be completed by 29 January 1993. By agreement with the Board the completion date was extended to 1 March 1993.

It will be noted that the terms of reference were very carefully drafted and limited as to what they encompassed. Contrary to much speculation as to what the review will encompass, it will be seen that issues such as the financial standing of Clubs, the number of Clubs in the competition, ground rationalisation, or who should be appointed Commissioners, etc. are not within the terms of reference. No doubt issues such as these will need to be addressed by the restructured Commission as part of the long-term strategic planning for the future.

METHODOLOGY

The review being primarily one focusing on the structure and the respective roles responsibilities and relationships between the Commission, the Board of Directors and management of the AFL and Clubs, dictated that the views of all of those parties and their constituent bodies be canvassed.

Each Club was written to advising the terms of reference for the inquiry and suggesting meetings with the President and Club Boards to receive input on matters considered relevant to the terms of reference. It was suggested that I attend at least one full Board Meeting of each Club to observe how the Board operates, as well as meeting separately or together with the President, the AFL director nominated by that Club, the General Manager and other designated personnel as suggested by the President and/or the Club Board.

The invitations were so structured to enable the widest possible input be received from all of those people directly responsible for the administration of Club football . This process was important as a means of coming to understand how Clubs and their Boards perceive their respective positions in view of:

- (i) the apparent conflict between the responsibilities of individuals serving on the Board of the AFL and the Board of a particular Club; and
- (ii) the perceived role of the General Manager of a Club who may or may not be a member of his Club's Board, but who through monthly General Managers' meetings has direct access to the Commission rather than through his Club Board.

In all instances meetings were arranged with or input was received from or on behalf of the President, the Club AFL director and the General Manager of each Club. Because of the very different ways in which each Club has structured itself and the role delegated to particular individuals, the invitation to meet with the full Board of each Club was not accepted or considered necessary or appropriate by a number of Clubs. For those Clubs that responded in the affirmative, a good interchange of information was provided and this interest and input was important in enabling the review to proceed in a positive manner.

It is appropriate to record here that it is ten years since I have had anything to do with the administration of the AFL or its predecessor and my overriding impression is that the quality of people involved in the administration of football today is significantly better than in the past. The fact that better qualified people are prepared to devote the significant and necessary time and energy in supporting the AFL and/or their particular Club is a measure of the strength of the competition today.

In addition to meeting with Club Boards and representatives, meetings and discussions have been held with Commissioners both past and present, representatives of The National Football League of Australia Limited, The National Australian Football Council Limited and the AFL Players Association.

Submissions have also been received from:

Fight for Football (Victoria) Inc.
Mr F Gardiner

I have also had the opportunity to review the way in which other sporting competitions are structured and administered. These reviews included competitions in Australia, the United States of America and the United Kingdom, including:

- National Basketball League
- NSW Rugby League
- Australian Cricket Board
- Tennis Australia
- Football Association - U.K.
- National Football League - U.S.A.
- National Basketball Association - U.S.A.
- Office of the Commissioner for Baseball - U.S.A.

Whilst these reviews have been useful there are three conclusions that can be drawn:

1. Australian Football is unique - There is no other competition that has the same characteristics as Australian Football.
2. There is nothing more certain than change. Many of the organisations reviewed have advised that they are currently considering or are actually involved in reviewing their structure and organisation.

NATIONAL SPORT INFORMATION CENTRE
AUSTRALIAN SPORTS COMMISSION
LEVERNIER STREET
BRIDGE A.C.T. 2617
AUSTRALIA

-
3. **There is no one universally correct structure. There is a need to regularly review a structure in order to move with changes that are required as circumstances change to ensure that the optimum results are achieved in accordance with the "raison d'etre" for a particular competition.**

THE REVIEW

STRUCTURE OF THE COMMISSION:

A number of fundamental issues emerged during the review, being matters that were focused on by almost all parties who participated. There was a remarkable consistency of view that emerged in many areas.

Support for the Commission - Its Role now and in the Future:

Almost without exception there was support for the concept of the Commission and the role played and to be played by the Commission. There was a recognition that because of the intense rivalry that exists and which is the very basis upon which the competition survives, it is necessary that an independent objective and unbiased Commission be charged with the responsibility of administering football in the interests of the game per se and not parochial interests.

It was said on many occasions that the AFL is big business and that the Commission should be given a clear mandate to run that business. They should be told what they can do rather than what they cannot do. Implicit in this must be a recognition that the Clubs effectively as the shareholders, retain rights with appropriate checks and balances being implemented.

The very real conflict that exists in the current structure between the legal responsibilities and fiduciary duties of individuals as directors of a particular Club but who also act as a director of the AFL was acknowledged by most respondents. It is very difficult in considering particular issues at the AFL Board table to disregard the interest of the Club of which the AFL director is also a director. It is unrealistic to expect that he would do so. Many decisions are taken on the basis of emotion rather than logic. Many AFL directors responded that they wanted time to consult with their Clubs on issues raised at the AFL Board meeting. To consult may not be unreasonable in certain circumstances, but for a Club to require consultation and input on all issues is to not understand the legal responsibilities that a director of a public corporation has and therefore so does a director of the AFL.

There is also a conflict between the AFL Board and the Commission. The directors do have the legal responsibilities referred to earlier, but they have delegated considerable authority to the Commission. As a result there are matters that appear to have fallen through the cracks with doubt as to which body is or should be dealing with them.

It is this conflict of interest that has led to many of the difficulties that have been experienced in the past. These difficulties have often been made worse by uninformed public debate. Issues have been aired in the media as a means of bringing pressure to bear to achieve a parochial result rather than a result that on a more considered view might be regarded as in the interest of football as a whole. The apparent competition that exists between the Commission, the AFL Board and the Clubs has caused difficulty in planning for the future and particularly the adoption of long-term strategies.

There was criticism (valid) of the Commission as to the relationship that has developed between it and the AFL Board of Directors. Particular emphasis was directed to the lack of information provided to, or the lack of time for consideration of issues by Board Members to enable them to participate in informed debate. Conversely however, there are many instances where advance notice of proposals have been leaked to the media because of parochial interests and objective debate has become very difficult. (A successful business should not conduct its affairs through the press). It is extraordinarily difficult in such an environment to implement proper long-term planning and strategic analysis.

It cannot be over-emphasised that the success of AFL football has to a large measure been a result of strong competition, intense rivalry, extreme parochial support and inherited bias that has become a fundamental part of our culture and particularly in some States of Australia, a way of life. Many of the Clubs over the entire history of their being have only survived as a result inter alia of the unpaid, timeless support they have received from their committee men and women and in more recent times their respective Club Board members.

The loyalty to one's own Club makes it extraordinarily difficult to make objective decisions in the interests of football as a whole, if such a decision will have an adverse impact on one's own Club. This message was repeated time and time again in differing ways during the course of the review.

Examples of parochial views expressed during the review:

- **Concern as to disproportionate funding being provided to particular Clubs to assist in, for example, ground rationalisation.**
- **Concern as to the way in which the "Draw" is conducted with some Clubs being openly critical as to manipulation.**
- **Concern as to the adequacy of review of adherence to salary cap rules.**

etc. etc.

In recognising:

- (i) the constituent Clubs that comprise the AFL are the "owners" of the competition and as such are akin to shareholders in the rights they have;**
- (ii) the need for the Commission to be independent objective and unbiased in acting to promote AFL football in the interests of football as a whole, and therefore Commissioners not to be the subject of pre-emptory removal at any time;**
- (iii) the very real achievements resulting in changes that have taken place during the past seven years in the structure, administration and personnel involved in AFL football; and**
- (iv) the need to be appropriately structured to devise and implement long term strategic planning in the interests of AFL football in the future, and therefore the need for the Commission not to be acting under delegated authority which may be removed at any time,**

there is a need to change the existing structure of the Commission and its relationship with the AFL Board and the Clubs.

Recommendations : Structure of the Commission:

1. *The Commission be retained.*
2. *The Clubs be given the right to appoint part-time Commissioners who would be appointed for three years at the Annual General Meeting of the AFL. While the Clubs and the Commission may nominate people to become part-time Commissioners for election at the Annual General Meeting, only the representative of a Club may vote in the event of an election.*
3. *The Commission be restructured to provide for up to eight Commissioners to be appointed, including at least two Executive Commissioners. There should always be a minimum ratio of part-time Commissioners to Executive Commissioners of 2 : 1.*
4. *There should be a Chairman appointed by the Commissioners from amongst their number who should not be the Chief Executive Officer. The primary role of the Chairman would include:*
 - *Chairing meetings of the Commission - If necessary he would have a casting vote;*
 - *Chairing meetings between the Commission and the Clubs;*
 - *Be a sounding Board for the Chief Executive Officer.*
5. *The Chief Executive Officer, appointed by the Commission, would be a Commissioner as a matter of right while retaining his position as Chief Executive Officer and would therefore not be subject to re-election as a Commissioner. He would be a voting member of the Commission. The role would include being:*
 - *responsible for the operating performance of the AFL;*
 - *responsible for the implementation of policy as decided by the Commission.*
 - *the public face of the Commission;*
6. *Executive Commissioners, other than the Chief Executive Officer shall be appointed Commissioners by the Commission but shall not be voting members of the Commission.*

INFORMATION CENTRE
AUSTRALIAN SPORTS COMMISSION
LEVEL 11, 1100
BRIDGE ROAD, SYDNEY
AUSTRALIA

The successful transition to a restructured Commission is fundamental to the acceptance of these proposals, particularly because of the change in powers being proposed for the Commission as detailed below. An understanding of the calibre of the people who are to become Commissioners and the particular knowledge and skill base that they will bring will be of assistance in giving confidence to the Clubs to move to adopt the changes.

The selection of new part-time Commissioners at this time, including a Chairman, requires a focusing on the qualities and skills required to chart the future direction of AFL football.

In discussing this issue with the Clubs, there was strong support for the proposition that it was important to get the right people for the job as opposed to having representation of sectional interests. For example, the appointment of a Commissioner to represent Interstate Clubs was debated, but on balance it is considered that people with the appropriate skill is what is needed. Identify the skills required and then endeavour to attract people with those skills.

Not all Commissioners need to be so-called football people. A balance is required. However, Commissioners need to have a knowledge and understanding of the (football) industry, albeit that the particular skills of certain Commissioners may be, for example, in finance, marketing, communication and listening or industrial relations. In selecting Commissioners for the future, there is a need to ensure that such skills are available to the Commission.

Commissioners need to have the time to devote to the task including being able to attend regular Commission meetings and be available for consultation as required. They should be appropriately remunerated as opposed to the minimal honorarium now provided in order that people with the requisite skills and abilities are able to accept appointment. They must be independent and be seen to be independent as opposed to being captive of sectional interests.

There is a need for continuity in moving forward in order that the momentum already achieved is not lost. Accordingly it is suggested that a number of the existing Commissioners should be reappointed, noting however that Mr P Scanlon has given notice of his resignation.

Recommendation : Transitional Arrangements to Appointment of Part-time Commissioners:

An independent party be appointed with instructions to consult with the Clubs during March 1993 and to then make recommendations to the Clubs and the Commission on the appointment of part-time Commissioners, including a Chairman. These instructions shall note the significant advances achieved to date and the desirability for some continuity in the appointment of Commissioners. A meeting of representatives of all Clubs would then vote during the first week in April 1993 on the appointment to a restructured Commission. Pending such restructuring, the existing Commission remain in office.

Recommendation : Method of Future Appointment:

Two part-time Commissioners retire each year and may be eligible for re-election.

In order to ensure in the initial three years of the restructured Commission that Clubs may annually appoint a minimum of two part-time Commissioners, transitional arrangements will need to be implemented. It is suggested that the following transitional arrangements apply to the retirement and election of part-time Commissioners:

End of year 1 - the two then longest serving part-time Commissioners retire;

End of year 2 - either the longest serving part-time Commissioner and/or one or two of the yet to be appointed part-time Commissioners as agreed between the Commissioners retire (but not the Chairman);

End of year 3 - two of the remaining yet to be appointed part-time Commissioners as agreed between the Commissioners retire;

End of year 4 - the two longest serving part-time Commissioners retire.

Casual vacancies for part-time Commissioners will be filled by the Commission after consultation with the Clubs. The part-time Commissioner appointed to fill a casual vacancy shall retire at the next Annual General Meeting. If reappointed their term of office or the term of office of the person elected will be the balance of the term of office of the retired part-time Commissioner they replace. (If there are two casual vacancies in a year, the Chairman will nominate the balance of term available to each newly appointed part-time Commissioner).

POWERS OF THE CLUBS:

A question that is often asked is "who owns the AFL"? The AFL is a company limited by guarantee and its members are the Directors, Office Bearers and Life Members appointed in accordance with the Articles of Association.

The Memorandum of Association provides inter alia:

1. The income and property of the League can be applied only towards the promotion of the objects of the League as set out in the Memorandum;
2. The capital or income of the League cannot be paid or transferred directly or indirectly by way of dividend, bonus or otherwise to the members; and
3. In the event of a winding-up of the League, any property remaining after payment of all debts shall not be distributed among the members but shall be given or transferred to some other institution having objects similar to the objects of the League;

Thus the concept of ownership as in the right to deal with the physical assets of the AFL is limited on a winding-up, notwithstanding that the right to enjoy those assets in the meantime is unlimited.

The Clubs are, however, the "owners" of the AFL and the game of Australian Rules Football in the generally understood sense of that word. They are akin to shareholders and as such should have and exercise similar rights as shareholders in a public corporation.

The proposals contained in this report include expanding the powers exercisable by the Commission. A consequence of this expansion is a requirement for greater accountability to its constituents by the Commission for the performance of the Commission and the AFL - the constituents are the Clubs and through the Clubs the football public.

[This inquiry is limited in its application by the terms of reference and does not extend to consideration of issues such as the extent to which the Clubs and the Commission have responsibilities to the football public. To ignore those responsibilities in the administration of the AFL would be akin to biting the hand that feeds you. As has often been said, football is a people business - it is entertainment for the people - it is part of the culture of the land. The current Commission has considered these issues as is evident by the increasing attendances, wider television audiences and the benefits that have been received by the football public through inter alia ground rationalisation and the development of the MCG. It is essential that the newly constructed Commission continue to address these issues involving the supporter base of AFL football as part of the forward planning process that is required.]

Recommendation : Powers retained/granted to the Clubs:

The Clubs to have the power:

- *to appoint part-time Commissioners;*
- *to have ultimate rights to admit, expel, relocate or require a merger of any Club(s).*

These rights are regarded as the fundamental rights that "owners" of an organisation should have. Football is a big business and we can learn from the way big business has structured itself. In fact, the constituent Clubs and the AFL have all incorporated and many practices and procedures adopted in corporate life have been and are being followed by the AFL and the Clubs. The fundamental rights that shareholders retain in a public corporation are the rights to vote on who shall be the directors and whether the fundamental structure of the business conducted by the corporation should be changed. A similar process should apply to the AFL.

The procedure necessary to ensure this occurs is that each existing Club while a member of the AFL should have one vote which is equal to the vote of any other Club. This vote may be exercised at the Annual General Meeting or any duly constituted extraordinary general meeting of the AFL.

Appointment of Part-time Commissioners:

At the Annual General Meeting of the AFL, Clubs will vote on the election of at least two part-time Commissioners who are required to retire in accordance with the procedure outlined elsewhere in this report.

If a casual vacancy has been filled during the year by the Commission, the part-time Commissioner so appointed shall also retire at the Annual General Meeting following appointment and Clubs shall vote to fill that position.

Nominations for appointment as a part-time Commissioner may be submitted by any Club or the Commission.

Admission, Expulsion, Relocation or Merger of a Club(s):

The issue of changing the structure of the competition by expulsion, admission, merger or relocation was the subject of much comment and discussion during the review. Many views were expressed as to how this matter should be dealt with. A review of other sporting organisations and how they dealt with these issues disclosed that there was a wide variety from annual review administered through a re-registration programme to an automatic right to participate through specific ownership of a proportion of the assets of the competition.

What was clear in the discussions was that Clubs were wanting to see leadership exercised by an independent objective Commission acting in the interests of football as a whole and that they should have the power and authority to do that. This power of course must be tempered by the rights of shareholders, but it should require a significant majority of Clubs to overturn an intended decision submitted by a reconstituted Commission.

Accordingly it is proposed that:

The Commission may from time to time publish objective criteria, the failure of which to achieve would be grounds for recommending the expulsion of a Club from the AFL.

Alternatively, the Commission may as a result of detailed consideration believe it appropriate to propose the admission, expulsion, relocation or merger of Clubs.

A decision of the Commission to admit, expel, relocate or require a merger of a Club may be reversed at a duly constituted extraordinary meeting of the AFL on a vote of all the then existing Clubs provided that the number of Clubs voting in favour of reversing that decision achieves 75% of available votes.

The Commission should be required to give fourteen days' notice to all Clubs of the intended decision, together with all relevant information. Any three or more Clubs may within that fourteen day period requisition an extraordinary general meeting of the AFL (such meeting to be convened by the Commission). That meeting shall be held within seven days of receipt of the requisition and at that meeting the Commission's intention may be reversed if the requisite number of Clubs so decide.

If no requisition is received within the specified time or the requisite majority to reverse the intended decision of the Commission is not achieved at a duly convened extraordinary general meeting, the Commission is empowered to implement the intended decision in accordance with the proposed timetable as advised to Clubs.

In respect to the possibility that there may be mergers, it is appropriate that the Commission should publish guidelines as to how a merger of Clubs could be implemented, detailing, for example, how player lists would be dealt with.

POWERS OF THE COMMISSION:

As noted earlier, there have been significant changes implemented since the establishment of the Commission which have greatly contributed to the development of football as administered through the AFL.

This review has been conducted against a background inter alia of the Sydney Swans' financial crises and proposals for restructuring, Fitzroy's request for additional financial support from the AFL, proposals being considered for a reduction in the number of players on Club lists not to mention the announcement of the Draft and the Draw for 1993.

As stated earlier, there was strong support from Clubs to give the Commission a clear mandate to get on with the job and administer the business of the AFL. It is time for a change and with the proposed restructuring of the Commission as detailed elsewhere and on the basis that the Commission is and will be seen to be totally independent, the powers of the Commission need to be adjusted to more readily reflect the current state of development of the AFL.

Recommendation : Power of the Commission:

With the exception of:

- (i) the appointment of Commissioners at Annual General Meetings; and*
- (ii) the implementation of a Commission decision to admit , expel, relocate for merge a Club without Clubs being consulted;*

the Commission be granted the power and authority to take and implement all decisions relating to all aspects of the AFL.

AFL BOARD OF DIRECTORS:

The current Board of directors of the AFL is comprised of a director nominated by each constituent Club member of the AFL and Board meetings are chaired by the Chairman of the Commission. Both the powers of the Board and the apparent conflicts that are inherent in a director of a Club also being a director of the AFL, have been referred to earlier.

With the proposed restructuring of the Commission and the change in authority and responsibility proposed for the Commission, the role of the Board will become superfluous.

Recommendation : AFL Board:

The AFL Board of Directors as currently constituted be abolished and to the extent a Board of Directors is required by law, the Commissioners from time to time should fulfil that role.

ACCOUNTABILITY OF COMMISSION:

With the proposed increase in powers being granted to the restructured Commission and the abolition of the current AFL Board of Directors it is important that a structure be put in place to ensure there is appropriate two-way communication between all parties being the Commission, the management of the AFL and the Clubs.

The issue of communication itself is being dealt with as a separate issue in this report, but it is fundamental for full accountability that an adequate communication process be implemented.

Accordingly it is proposed:

1. The Commission be required to formally meet on a quarterly basis with the Clubs, each of which may nominate two people to attend the quarterly meeting. (It is expected that one of those nominated will be the President of the Club). An Agenda should be precirculated and a report submitted by the Commission for those meetings on the activities of the Commission during the preceding period. Clubs may request items to be included on the Agenda. It is expected that at these meetings in addition to reporting on the past, strategic plans and budgets will be addressed and input sought from Clubs on matters of interest and/or concern. The Chairman of the Commission will chair those meetings.
2. The monthly meetings of the Commission and the General Managers of the Clubs shall continue and should become the prime source of regular communication between the Commission and the Clubs and vice versa. These meetings should be appropriately structured and be chaired by the Chief Executive Officer of the Commission.

RELATIONSHIP BETWEEN THE COMMISSION, THE CLUBS AND THE MANAGEMENT OF THE AFL:

Communications:

During the review there were many comments made by Club Board members, administrators, AFL Board members and Commissioners that highlighted the fact that the relationship that has developed between the various interested parties during the past few years is less than ideal. The following statements are merely a selection of the more often quoted examples of concern/criticisms of the relationship that has developed:

The draw has been manipulated to disadvantage certain Clubs:

- playing a disproportionate number of games on a Sunday;
- playing a disproportionate number of games interstate.

The role of the Commission is to treat each Club equally, but:

- equalisation payments have decreased;
- the draft has been changed to assist interstate Clubs;
- separate deals have been done to benefit particular Clubs as per payments made re ground rationalisation.

It must be stressed, however, that the mere fact these statements are made, and repeated, does not make the statements true. In fact many of the views expressed were either:

- (i) based on an incorrect assumption of facts;
- (ii) were a criticism of an issue that adversely affected a particular Club; or
- (iii) represented a lack of knowledge about the past.

What did become crystal clear during the review was that the most fundamental problem that exists in the relationship between the Commission, Clubs and management of the AFL is "LACK OF ADEQUATE, CLEAR AND CONCISE COMMUNICATION".

At the risk of over-simplifying the position and stating the obvious, communication is a two way process. There is a very real need to address at all levels the manner in which the communication process can be improved.

There was a lack of understanding by many of the respective roles of the Commission and the AFL Board and the rights that Clubs had to participate in the decision making of either the Commission or the Board. This lack of understanding was no doubt assisted by the significant change in personnel at Club administration and AFL Board level and the different approach adopted by different Clubs to their internal communication process. One Club ensures that all Club Board members receive a copy of the minutes of the relevant meetings be they meetings of the AFL Board, General Managers, marketing, etc. At the other end of the spectrum there is limited information provided to Club Board members who therefore are unaware of much of what has been agreed or the rationale for certain decisions. For example, there was a particular lack of understanding of the basis upon which licences were granted to the interstate Clubs and the rights which were given in return for payment of the significant licensing fee.

The tyranny of distance has also come into being with the development of the National competition. There has in some cases been limited face to face contact between the Commissioners and senior executives of the AFL with, Board members and administrators associated particularly with interstate Clubs.

Recommendation : Communications:

The Commission prepare a manual detailing the history of the development of AFL football with particular emphasis on the establishment of the Commission in 1984 and the allocations of power and responsibilities since then. The manual should also include sections on current policies and the rules. This manual should be updated regularly to keep track of changes and a copy should be provided to each Director appointed to the Board of an AFL Club.

[The basis of such a manual has been prepared by the Commission].

In addition, the Commission could give consideration to Commissioners on a rotating basis, for say one year, to act as an informal liaison with nominated Clubs and thus assist in the communication process.

Forward Planning:

There is a lack of understanding as to the strategic direction adopted by the Commission and criticism as to the lack of forward planning. The criticism was supported by referring to the constant changing of rules and the short lead time provided in consideration of major issues. These comments should be considered in the context that:

- (i) the Commission did prepare a strategic plan which was discussed at a conference in Hobart approximately two years ago and which received considerable support at that time. Subsequently parochial interests and the existing structure intervened to frustrate implementation;
- (ii) the Commission prepared, circulated and discussed with each Club the outline of a five year plan during 1992, but consideration of the plan was deferred pending the completion of this review.

There is a clear need for the Commission to proceed with the development and adoption of a business plan which incorporates the strategy for the future, sets objectives and details the way in which the plan will be implemented. There has been a perception amongst some that the Commission has very fixed views on particular issues and has been unwilling to consider change. Such views are often a reflection of disagreement with the direction being taken or implementation of a particular decision.

The Commission needs to show leadership in the preparation and implementation of the business plan and this should now be easier if the revised structure as proposed is adopted. Clearly the development of such a business plan must be done in consultation with the Clubs. Communication of the plan to the Clubs will be a fundamental aspect of its implementation as will the need to constantly monitor and report performance against plan. There must also be a willingness to review and amend the plan to take account of changing circumstances.

Within the business plan will be a financial budget which will be of singular importance to Clubs as they need the information to plan their own financial affairs. The need for the Commission's budget to be realistic and achievable is fundamental to the Clubs being able to enter into financial commitments.

Recommendation : Forward Planning:

The Commission be required to develop a business plan spanning the next five years which incorporates the strategy for the future, sets objectives and details an implementation programme.

Player Rules:

An issue which was raised by many Clubs related to the continual changing of the rules, particularly the rules relating to the player draft. Whilst the draft itself was not an issue to be covered by the review, the issues raised do reflect on the relationship that has developed between the AFL management and the Clubs.

There was support for the introduction of the draft system, but criticism of the way in which either the rules have been changed or the way in which it is administered. Many of the criticisms were a reflection of the parochial interest of particular Clubs, the lack of understanding of or communication of the reasons for particular rules and the ability to use hindsight to, say, for example, that the draft rules as they relate to Interstate Clubs are biased in their favour in light of current circumstances.

There are, however, valid issues that need to be addressed and these relate to the pace and introduction of change. The pace of change has been rapid and there is validity in the criticism that changes introduced without either adequate consultation or lead time can be unfairly detrimental to those Clubs that have implemented forward plans based on the then existing rules. These criticisms, however, should be seen with an understanding that no sooner than a rule is introduced, the powers that be at most if not all AFL Club level direct their attention to ascertaining how they may find a way around the rules. In fact, some general managers would find it insulting if someone were to suggest that they did not have a "solution" within fifteen minutes. It was ever thus!

All of the above in fact deals with the relationship between the Commission, management and the Clubs. There must be someone who ultimately has the control, and with the competition being as fierce as it is, conflict is bound to arise. It was interesting in discussing these issues with Club administrators. Many considered they would prefer black letter law which provided the opportunity to get around the law or suffer a minuscule fine as is now the practice, as compared to fuzzy law where the Commission could, for example, clearly state the intent of a proposal, the breach of such intent resulting in a loss of, say, premiership points.

A better structured Commission with appropriate forward planning and good communication will to a large extent overcome issues such as those above. However, it must be recognised that because of the intense competition between Clubs any change in player rules that happens to disadvantage a particular Club (the disadvantages being actual or perceived) will give rise to conflict and dissatisfaction.

Conflict between AFL and Clubs:

There are particular areas of real conflict that exist between the operations of the Commission acting in the interests of the AFL and the operation of individual Clubs. There is a need for all such issues to be identified and a strategy adopted and communicated to Clubs.

A specific area of conflict related to Sponsorships.

The AFL has negotiated a number of national sponsorships and marketing agreements which are seen to be in the interest of the AFL as a whole. However, the terms and conditions of some of these arrangements preclude an individual Club being able to attract a sponsor with a rival product and thus limits the ability of Clubs to generate income. The impact varies from Club to Club, but probably has most impact on Clubs operating in Western Australia, South Australia and Queensland where there are few head offices of public companies which have a product that lends itself to national marketing.

The problems could be considerably reduced with better communication between the AFL management and the Clubs and particularly better liaison.

Recommendation : Marketing and Sponsorships:

That the Commission reactivate a Marketing Committee for the purpose of better communicating on marketing strategies for the AFL and where possible assist in the coordination of marketing activities involving the AFL and the Clubs.