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# **Report**

**Canberra Cosmos FC**

**Report for Soccer Canberra**

**March 2003**

# Canberra Cosmos FC Report

## CONTENTS

<b>1</b>	<b>OVERVIEW</b>	<b>1</b>
<b>2</b>	<b>CONDUCT OF ENQUIRY</b>	<b>4</b>
<b>3</b>	<b>EXCLUSION FROM NSL - SUMMARY OF EVENTS</b>	<b>7</b>
<b>4</b>	<b>STRUCTURE &amp; OWNERSHIP ISSUES</b>	<b>12</b>
<b>5</b>	<b>FINANCIAL PERFORMANCE</b>	<b>17</b>
<b>6</b>	<b>MANAGEMENT STRUCTURE &amp; PERFORMANCE</b>	<b>24</b>
<b>7</b>	<b>MANAGEMENT ISSUES - VARIOUS</b>	<b>29</b>
<b>8</b>	<b>SOCCER CANBERRA ROLE</b>	<b>32</b>
<b>9</b>	<b>RECOMMENDATIONS</b>	<b>36</b>

# 1 Overview

- 1.1 Between October 1995 and April 2001 Canberra Cosmos Football Club participated in the Australian National Soccer League (“NSL”). During these six seasons the Club’s on-field performances were poor. Cosmos FC were the bottom-placed team for three successive years (1996/97, 1997/98 and 1998/99) and failed to reach the NSL finals in any season or even to achieve a top-half table position. The Club’s best positions were 9th of 12 teams in its first season (1995/96) and 11th of 15 teams in its last season (2000/2001). Cosmos FC was regarded within the Australian soccer community as perennial strugglers and barely worth a place in the national competition. Indeed, Cosmos FC’s reputation within the Canberra sporting community, including parts of the ACT soccer community, was hardly better, and the Club was very much the poor relation of other Canberra sporting teams participating in national and international competitions.
- 1.2 Despite a loyal, if small, following, and the dedicated efforts of players, staff and management, the Club was unable to lift its performance. The Club struggled under constant financial pressure and never achieved desired goals of improved on-field results, financial stability, increased spectator attendances, and broad community support.
- 1.3 This Report seeks to address the reasons for Cosmos FC’s poor performance on and, more particularly, off the field. The Report examines the reasons why, in September 2001, the Club was excluded from participation in the 2001/2002 National Soccer League. The Report concludes that the exclusion, whilst controversial and unfortunate, was a consequence of the Club’s lack of success over previous years, resulting in a loss of support at the highest level of the sports administration, Soccer Australia’s board of directors.
- 1.4 Whilst it is arguable that the exclusion, and in particular an earlier decision (subsequently reversed) by Soccer Australia in May 2001 not to re-admit the Club to the 2001/2002 National Soccer League, was misguided, it is likely that had the Club performed at a more satisfactory level in previous years it would have been readmitted for a further season. As it was, the Club was unable to recover from the initial ‘non-admission’ and resulting events during the period June-September 2001 led to the Club’s final exclusion on 26 September 2001. It is probably fair to say that by this time the Club’s past had caught up with it.
- 1.5 The initial decision of Soccer Australia in June 2001 to exclude Cosmos FC, whilst the outcome of an apparently unfair process, reflected Soccer Australia’s disdain for the Club’s previous record, and a lack of confidence

in the Club's capacity to improve. Whilst disappointing, particularly in view of significant progress achieved both on and off the field during the Club's final season, 2000-2001, Cosmos FC had clearly performed very badly over a number of years and it is debatable whether by objective measures the Club had deserved to maintain its place for a number of seasons. That it did so for as long as it did is a reflection on the persistence and commitment of those who kept the Club running when the easier course would have been to cease operations.

- 1.6 What is disappointing, looking back more than twelve months after events, is that at a time when Cosmos FC did genuinely appear to be making significant progress in a number of key areas at the end of the 2000/2001 season, a combination of factors led to its collapse of the Club prior to the 2001/2002 season.
- 1.7 This Report, commissioned by Soccer Canberra, seeks to address the off-field factors which led to the Club's lack of on-field success over the six years of its operation. These factors include the Club's (lack of) financial resources and (inadequate) capitalisation, ownership and structural issues and the management of the Club by its board and executive staff. The Report also considers the role of Soccer Canberra, being the umbrella body responsible for administration of soccer in the ACT. The Report addresses the role Soccer Canberra should have with a future Australian National Soccer League team. The Report contains a number of recommendations as to these and other issues. These recommendations are set out in full in chapter 9 of the Report.
- 1.8 On a personal note, if this Report appears unreasonably critical of the individuals involved, may I record my respect and admiration for the players, coaches, staff, management and loyal fans of Canberra Cosmos Football Club over its six seasons. Success was limited but despite the Club's failings, the efforts of those involved deserve acknowledgement. Six seasons of struggle it was, but at least there were moments of promise and fleeting success. Every victory brought with it the hope of continued success, and whilst the aspirations of players and supporters were never realised this was not due to lack of commitment or passion on the part of the playing and coaching staff or effort from Cosmos management. However, toil and perseverance are not by themselves guarantees of success, and, by almost any measure, Cosmos FC was not a successful venture.

- 1.9 It is hoped for the sake of the people of Canberra that in the not distant future a new and stronger Cosmos FC (or whatever name a new team is given) will be re-launched to compete with distinction in the Australian NSL. In providing this Report I hope the recommendations made will assist the establishment of the next National Soccer League venture from the ACT.
- 1.10 My thanks to those persons who assisted the Enquiry and preparation of this Report, either in terms of direct submissions and provision of information, or by participation in interview. My thanks also to those who have assisted with their thoughts and views during the Reports drafting, in particular to Adrian Dodd and David Earle.
- 1.11 Special thanks to my assistant, Mary-Ann Doyle, for her patient transcription and editing.
- 1.12 I also acknowledge the support of former Soccer Canberra President, Steve Doszpot. Without his encouragement this Enquiry and Report would not have occurred.

Christopher Behrens  
March 2003

## 2 Conduct of enquiry

2.1 In December 2001 Soccer Canberra requested that an Enquiry be held and a Report provided to Soccer Canberra on the following matters:

- “1. Factors contributing to the non-admission of the Canberra Cosmos FC to the 2001/2002 National Soccer League.
2. Any improvements to the structure and management of a future Canberra NSL team considered appropriate as a result of the non-admission of the Canberra Cosmos to the 2001/2002 NSL.
3. The desirability of Soccer Canberra having an ownership role (either part or whole) for a future Canberra NSL team, and the role in which Soccer Canberra might have in the ongoing management of such a team.”

2.2 The Enquiry has proceeded in the following manner. Advertisements were placed in the Canberra Times and local soccer press advising of the enquiry and inviting interested persons or organisations to make written submissions. Subsequently, written submissions were received from the following:

- John Bonnet
- The City Club (Arthur Huggins)
- Warren Barsley
- Phillip Rutherford
- Belconnen Soccer Club (David Wright)

2.3 Written documentation relevant to Canberra Cosmos FC was provided to the Enquiry by Alan Lee, Chief Executive Officer of Soccer Canberra. This material included:

- Financial statements 1997-2001
- Documents relating to the 1997 Club restructure

- Documents relating to the appointment of an administrator on 30 June 2000
- Documents relating to the March 2001 application for re-admission to the National Soccer League
- Documents relating to the termination of the Cosmos FC NSL participation licence by Soccer Australia in September 2001
- Documents relating to the proposed investment in Cosmos FC by Bill Bariamis and Union Financial Services (Union Sports Australia Pty Limited)
- Documents relating to the appointment of a liquidator to Cosmos FC in October 2001

2.4 Statistical information relating to Cosmos FC playing performances and attendances was provided by Nick Guoth and Andrew Howe.

2.5 Interviews with the following persons were conducted:

- Peter Kunz and Wilhelmina Kemperman, Cosmos FC Supporters Club
- Anthony Nicoletti, Cosmos FC General Manager, July 1999-May 2000
- Jamie Nicholson, The Canberra Times
- Tony Pratezina, Director and Treasurer, Cosmos FC, January 1998-September 2001
- Milan Milovanovic, Cosmos FC Coach 2001
- Toplica Popovich, Cosmos FC player 1995-2001
- Steve Doszpot, President of Soccer Canberra, 1996 - 2002
- Ian Knop, Chairman Cosmos FC, 1997-2001, Chairman Soccer Australia 2001 - 2002.

- 2.6 The Enquiry was not provided with documents requested from the liquidators of Canberra Cosmos Pty Limited, Slaven & Rangott. Also, a number of former directors of the Club chose not to participate in interviews or respond to questions. As such, some relevant matters have not been disclosed by the enquiry and some of the events described are not recorded in great detail but are set out based on such information as was available, and according to the recollection of those persons from whom assistance was received.
- 2.7 I am satisfied that the overall volume and quality of information provided has enabled the Enquiry to adequately address the terms of reference and to justify the recommendations set out in the Report.



### 3 Exclusion from NSL - summary of events

Term of reference 1 - *"Factors contributing to the non-admission of the Canberra Cosmos FC to the 2001/2002 National Soccer League."*

- 3.1 This chapter describes the sequence of events leading to the non-admission to the 2001/2002 NSL competition in September 2001. Subsequent chapters contain description and commentary on the underlying issues which gave rise to those events.
- 3.2 In mid-2000 Soccer Australia determined that it would conduct a review of the membership of the National Soccer League for the 2001/2002 season, with member clubs and other applicants being required to submit formal applications to Soccer Australia in February 2001 for the season commencing October 2001. The review was said to be 'independent' but was conducted by a firm of accountants briefed by Soccer Australia according to pre-defined criteria including, relevantly, an assessment of the applicant's financial status and viability as at 30 June 2000.
- 3.3 From a Cosmos FC perspective the date chosen was of particular relevance. On 30 June 2000 an administrator had been appointed to Cosmos FC. Subsequently, a deed of company arrangement was signed and the Club continued normal operations for the 2000/2001 season. At the time of preparation of interim accounts on 19 January 2001 the Club's trading performance indicated a trading loss for the period since 1 July 2000 of \$38,000. In relative terms this was a very successful period for Cosmos FC, financially. Nevertheless, based on the Cosmos FC financial position as at 30 June 2000, and by application of the review committee criteria, the Club was in June 2001 deemed 'not viable' and in June 2001 the Club was advised that it had been excluded from the NSL for 2001/2002, along with Brisbane Strikers FC. This decision was based on Soccer Australia's criteria that assessed the viability of Cosmos FC as at a date some 12 months previously. The assessment apparently did not take account of events since that time such as the Club's restructuring of debt and its improved on-field and financial performance. From a Cosmos FC perspective the exclusion decision appeared to be both harsh and unfair.

- 3.4 There followed a concerted and ultimately successful two month campaign by Cosmos FC, led by its then Chairman, Daniel Moulis, to have this exclusion decision reversed. Eventually the Soccer Australia board, under pressure from stakeholders and political figures agreed to “re-admit” Cosmos FC and Brisbane Strikers FC to the NSL for the 2001/2002 season. During this period the NSL, Soccer Australia and the review process received considerable negative publicity. The eventual outcome was not a decision which all elements of Soccer Australia’s administration supported, as the process had brought no small amount of ridicule on Soccer Australia itself.
- 3.5 The re-admission decision came with strings attached, however, in the form of a requirement to provide a \$250,000 security deposit. Soccer Australia had ongoing suspicions about the solvency of Cosmos FC and, perhaps with an eye on its own precarious financial position, sought execution of a deed of guarantee by Cosmos FC directors for an amount of \$250,000 as a “condition of entry”. Cosmos FC directors, reluctantly perhaps, agreed to re-admission on these terms. The Club was, at least, again a member of the NSL, albeit now under more financial pressure than ever.
- 3.6 For Cosmos FC, the process of exclusion and the effort involved to obtain re-admission came at some cost. By the time the initial decision was reversed the Club had lost considerable momentum in preparing for the upcoming 2001/2002 season. The opportunity to take advantage of gains achieved during the 2000/2001 season was lost. Negotiations with a new major sponsor, at a delicate stage in June 2001, could not be concluded without guarantees of participation. These negotiations were never finalised and the opportunity lapsed. Crucial pre-season activities such as contract negotiations with coaching staff and players were suspended. There was also the financial cost of the re-admission campaign (estimated as \$40,000). The combined effect of these factors was that although the Club had been re-admitted, it was in a very weak position financially and from a playing strength point of view.
- 3.7 In particular, when the time came for negotiations to re-sign then coach Milan Milovanovic, agreement could not be reached and Milovanovic left the Club. In retrospect the failure of these negotiations was a turning point from which the Club, by then once again under considerable financial pressure, probably never recovered. Cosmos FC Chairman, Daniel Moulis,

resigned shortly afterwards. Moulis' contribution over a period of 14 months was a significant one, saving the Club from collapse on more than one occasion. Moulis was unable to persuade his board to agree to terms with Milovanovic. Moulis himself resigned as Chairman shortly after.

- 3.8 The Club then entered a period of great turbulence. Negotiations with a coach of international standing, former Uruguayan international, Antonio Alzamendi, led to an announcement of his appointment as Club coach. A short time later this appointment was terminated and former Tahiti national coach, Bill Gardikiotis, was appointed.
- 3.9 The reasons for the termination of Mr Alzamendi's engagement, and the appointment of Mr Gardikiotis, appear to have been related to efforts by the Club's directors to achieve a major capital injection through an American company, Union Financial Services, represented by Bill Bariamis. Negotiations with UFS and Mr Bariamis proceeded haltingly over the period from July-September 2001 without any formal agreement ever being signed. The negotiations involved a proposal for payment by UFS of a substantial annual amount, in exchange for receiving an equity position within Canberra Cosmos Pty Limited. UFS, it is understood, wished to take an equity position within a Club such as Cosmos FC to improve its Australian profile and consistent with similar investments in sporting teams it had in the USA.
- 3.10 The Club's financial position was by September 2001 quite desperate, with the commencement of the 2001/2002 season approaching and the Club's lack of funds being very serious. As a sign of good faith to UFS and perhaps as a reflection of how serious the situation had become, Mr Bariamis was appointed Chairman of the Club, notwithstanding that no formal agreement between the Club, Mr Bariamis or the company he represented, UFS, had ever been signed.
- 3.11 As it turned out, no injection of funds was ever received from UFS, or Mr Bariamis, and on 26 September 2001 Soccer Australia notified the Club (for a second time) that it had been excluded from the 2001/2002 NSL. Soccer Australia relied in its letter of exclusion upon actions of the Club's directors in revoking the \$250,000 deed of guarantee, which guarantee was said by Soccer Australia to be a condition upon which re-admission into the 2001/2002 NSL had been granted in July 2001.

- 3.12 Although initially agreeing to this condition in July 2001, it appears that at a later date, and without notifying Soccer Australia, the Club's directors revoked the deed of guarantee. When Soccer Australia became aware of the revocation of the deed of guarantee, and in the absence of any alternative satisfactory form of security, and also following the non-payment by Cosmos FC of the 2001/2002 NSL affiliation fee<sup>1</sup>, Soccer Australia determined that Cosmos FC had not met the required conditions of entry and on 26 September 2001 terminated its right to participate in the 2001/2002 NSL season.

*Comment*

- 3.13 A number of former Cosmos FC directors were critical of Soccer Australia's action during this period (mid - 2001 onwards), believing that Soccer Australia was treating Cosmos FC unfairly and without due process. In particular, there was criticism not only of the decision not to re-admit Cosmos FC following the "independent" review (the initial exclusion decision), but also of the decision to require provision of security of \$250,000 as a condition for re-entry, a condition that Cosmos FC was either unable or unwilling to comply with. During the period since the 're-admission' relations between Cosmos FC and Soccer Australia had further deteriorated, beyond what was already a distrustful and unhappy relationship. There were a series of public statements by officials of both Soccer Australia and Cosmos FC that contained unrestrained criticisms of the other. The board of Cosmos FC felt that it was being treated in an unfair manner by being required to provide a substantial security deposit and there was a corresponding lack of trust and confidence in the Cosmos FC management on the part of the Soccer Australia board.
- 3.14 This Enquiry has not been able to determine if all NSL member clubs were required to provide a \$250,000 security deposit and, if so, whether all clubs did provide such security. It is clear that Soccer Australia believed Cosmos FC was financially unstable, that Cosmos FC was providing misleading information about the true state of its financial affairs, and that a security deposit was necessary to protect Soccer Australia's position.

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<sup>1</sup> Cosmos FC's "payment" of the affiliation fee to Soccer Australia of an amount of \$44,000 by cheque was dishonoured.

- 3.15 It appears that ultimately a combination of Cosmos FC's poor historical financial record and animosity between individual directors of the Club and Soccer Australia Board members, together with the circumstances of Soccer Australia being pressed into "re-admitting" the Club, led to the decision by Soccer Australia to take a firm stance in relation to the security requirement.
- 3.16 It is a matter of conjecture as to whether the situation would have been different had relations between the two sets of administrators been more agreeable. Regrettably, by September 2001 there was such an absence of goodwill that the parties appeared to be working against each other, rather than co-operatively. That such a situation had developed is no doubt attributable to many factors, but its effect was that Cosmos FC reached a point from which recovery was seemingly impossible, and from which ultimately there was no recovery.
- 3.17 That Cosmos FC's directors were unable to retrieve the situation appears to have been due to the financial pressures they were under, rather than any deliberate policy of confronting or challenging Soccer Australia's authority. Put simply, Cosmos FC's financial circumstances were so dire after a long period of sustained losses that it no longer had the capacity to respond to Soccer Australia's demand for additional security. Cosmos FC directors, attempting to both allay Soccer Australia and obtain an injection of funds, were unable to achieve this task. Very likely the situation by that stage, absent significant and immediate financial assistance, was beyond saving.
- 3.18 Possibly, if Cosmos FC had been more successful in preserving good relations with Soccer Australia the situation would not have been so dire, and may even not have arisen at all. Those relations, over a period of many years appear to have been driven by a concern on Soccer Australia's part about the Cosmos FC financial position, and it was this factor above all others which appears to have caused the Club's collapse.

## 4 Structure & ownership issues

Term of reference 2 - *“Any improvements to the structure and management of a future Canberra NSL team considered appropriate as a result of the non-admission of the Canberra Cosmos to the 2001/2002 NSL.”*

- 4.1 This chapter considers the second term of reference and, in particular, structure and ownership issues relevant to the non-admission to the 2001/2002 NSL competition in September 2001.
- 4.2 Important issues arise as to whether Canberra Cosmos FC’s structure as a “community model” club, where a number of different organisations were shareholders, was an effective or an inhibiting factor in the Club’s operations. Questions also arise as to what alternative ownership model could be considered as being more suited to the needs of a National Soccer League team.
- 4.3 The Cosmos FC “community model” was devised in the early 1990’s, a period where there was considerable disunity and tension within the ACT soccer community. A bid by Canberra Deakin FC for its own national soccer league licence had not been supported by the ACT Soccer Federation and was rejected by Soccer Australia. Ill feeling about this rejection and Soccer Canberra’s role lingered. The ACT Soccer Federation wished Cosmos FC to be a broad based community club, not identified within one particular sub-group. The community model was seen as the best way to achieve support across what was a polarised and disjointed grouping. Discussion below of the desirability of this model (and its apparent deficiencies) has to be seen in the context of the early 1990’s environment. At the time of its creation the “community model” was thought to be the best way of garnering a broad level of community support.

### *Community ownership model*

- 4.4 Canberra Cosmos FC was established in 1995. Cosmos FC was established as a company (then known as Soccer Canberra Pty Limited but subsequently Canberra Cosmos Pty Limited). Shares were issued to the following “community” bodies:

- ACT Soccer Federation Incorporated (now Soccer Canberra)
- Belconnen Soccer Club (“**BSC**”)
- Soccer Club of Canberra Pty Limited t/as the City Club (“**City Club**”)

- 4.5 It was intended that each body would hold an equal shareholding of 33.3% of issued shares in the company.
- 4.6 The establishment of Canberra Cosmos FC followed a grant of an NSL “licence” to the ACT Soccer Federation Incorporated. Initial capital contributions of \$100,000 were made by BSC and the City Club. Responsibility for the day to day management of Cosmos FC, including payment of expenses, was assumed by the ACT Soccer Federation and the Club operated from the then ACT Soccer Federation offices at Hackett until a separate Cosmos office was opened prior to the Cosmos second season of operation in September 1996. The Club, accordingly, started its operations with an effective capitalisation of \$200,000. A “notional” capital contribution by the ACT Soccer Federation of \$100,000 (representing the notional costs of the NSL licence) was also included in the Cosmos FC accounts.
- 4.7 It appears clear that the initial capitalisation of the Club was insufficient, with the full amount of the initial \$200,000 invested in the Club by its shareholders, BFC and the City Club, being spent in a matter of months, and large trading losses being incurred in the first year of operation.
- 4.8 Membership of the Cosmos FC board was “shared” with each shareholder, ACT Soccer Federation, BSC and the City Club, having the right to nominate directors to the board. Further discussion in relation to the effectiveness of the director nomination and selection process is included below in later sections of this Report.
- 4.9 In December 1997, a further shareholder, Canberra Deakin Soccer Club (“**Deakin**”) was allocated shares, again on the basis of a capital contribution of \$100,000. This new shareholding was finalised at the same time as a restructure and financial assistance package, facilitated by Soccer Canberra with the ACT Government, was arranged. As a result of that restructure Soccer Canberra took over majority ownership of Cosmos FC, with Soccer

Canberra holding 55% of the shares in Canberra Cosmos FC. BSC, City Club and Deakin each held 15% of the shares in Canberra Cosmos Pty Limited. This ownership arrangement remained in place, unchanged, from December 1997 until the Club's liquidation in November 2001.

#### *Shareholder capacity & commitment*

- 4.10 Responsibility for the capital funding and continued operation of Canberra Cosmos FC fell jointly to the four shareholder organisations. Each organisation had their own activities and operations to manage, with consequent restrictions on each's capacity to contribute to Cosmos FC's activities from their own resources. Each shareholder organisation had responsibilities to their own shareholders and members and obligations to perform the tasks required for "primary" functions. In the case of Soccer Canberra this included management and development of senior (mens) and junior (boys and girls) soccer in the ACT region. In the case of BSC, the City Club and Deakin it included operation of licensed premises and funding of other teams and soccer related programs and facilities within their own clubs. The burden of funding Cosmos FC was ancillary to the principle activities of the shareholder organisations, with contributions and commitments to be made on an "as available" basis rather than funding being the principle objective of the organisation concerned.
- 4.11 Notwithstanding these restrictions the various shareholders, within their means, contributed significantly to the operations of Cosmos FC over a number of years. In the case of Soccer Canberra, who since the Club's inception had assumed the mantle of "principal" shareholder, this contribution included:
- providing facilities and staff for Cosmos activities;
  - providing direct financial assistance;
  - facilitating financial assistance for Cosmos FC with the ACT Government;
  - liaising with Soccer Canberra member clubs on Cosmos FC's behalf.
- 4.12 The approximate value of such assistance is difficult to measure with precision but appears to have been of the order of \$100,000 per annum for



each year of the Cosmos FC existence. Comment as to the effect of these contributions on Soccer Canberra's operations are included in a separate section of this Report dealing with Soccer Canberra below.

- 4.13 From a Cosmos FC point of view the Club found itself in a situation where its shareholders were limited in their capacity to make capital contributions, and where the principal activities of those shareholders were non-Cosmos FC focussed. None of Cosmos FC shareholders existed for the purposes of providing funding to Cosmos FC, or to support Cosmos FC operations. The shareholder arrangement did not include any formal or regularised annual shareholder contribution, or any scheme whereby Cosmos FC was able to budget for or receive guaranteed shareholder contributions each year.
- 4.14 Although ongoing support was provided, this support was ad hoc and did not ever enable Cosmos FC to meet its financial targets, or put itself in a position where debt pressure was alleviated. Each shareholder had competing priorities within their own budget to be met before funds could be found for Cosmos FC activities.
- 4.15 Overall, it is clear that the respective shareholders were unable to provide sufficient contributions to enable Cosmos FC to meet its needs, the Club being unable itself to generate sufficient income from its own activities to be self-sufficient.

***Private ownership***

- 4.16 Numerous submissions were received suggesting that a future Canberra NSL team would be better off being privately owned rather than established as a community structure. Private ownership, either via a syndicate of equal co-owners, or with a majority owner and other minor private shareholders would, it is suggested, provide clearer sources of funding.
- 4.17 It is also suggested that Cosmos FC's legal structure as a community club operated as an impediment to new investment. It would have been necessary to adopt a new constitution and entirely new legal structure before any sale of the company could have been contemplated. This Report has concluded that it would be desirable therefore for any new entity to be able to market itself to potential investors and be flexible enough to receive equity contributions in return for issuing new shares. A simple and

transparent structure, without conflicting interests, is desirable. Private ownership, in the form of a company limited by shares with an appropriately devised constitution, would achieve these goals.

- 4.18 Other options for ownership include the possibility of an overseas football club, European or Asian, taking an equity position, in return for feeder-club status. At various stages of its existence Cosmos FC had explored the possibility of seeking a capital injection from such a Club. There are precedents for such investment both in Australia and elsewhere.
- 4.19 Any future Canberra NSL team, in whatever form it may take, will need to be properly capitalised to avoid the financial and management difficulties discussed elsewhere in this report. It appears likely also that the football environment at a national level will be different to the environment which, existed between 1995-2001, although exactly what form the national soccer competition will take in future seasons remains to be seen.
- 4.20 Without seeking to be prescriptive about exactly what form a future Canberra NSL team will have, it is the conclusion of this Report that private ownership, rather than a community model, would be the preferable structure. Further discussion of the role of Soccer Canberra in such a venture is contained at chapter 8 of this Report.

## 5 Financial performance

*“Cosmos has a record of recurring operating losses.”*

*“The auditor also expressed the view that there was inherent uncertainty as to whether Cosmos had the capacity to continue as a going concern and that Cosmos’ books and records had not been properly kept and that this had hampered the conduct of the audits.”<sup>2</sup>*

*“There is uncertainty whether the company will be able to continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business.”<sup>3</sup>*

- 5.1 The financial performance of Cosmos FC from its inception was poor and the organisation struggled constantly against a background of debt, lack of cash flow, and an inability to improve business fundamentals such as would enable the Club to overcome its difficulties.
- 5.2 Review of Cosmos FC financial accounts for its six-year history disclose the extent of financial pressure that existed from beginning to end. The Club’s trading losses, by year of operation, were as follows:

Year	Profit (Loss)
1995/1996	(\$590,473)
1996/1997	(\$215,181)
1997/1998	(\$751,448) <sup>4</sup>
1998/1999	(\$150,000)
1999/2000	(\$308,000)

<sup>2</sup>Deloitte Touche Tohmatsu (P McPhillips, auditor), independent audit Report for year ended 30 June 1998, 3 May 1999.

<sup>3</sup> Ferrier Hodgson (Henry Kazar, administrator) Report to creditors, 17 July 2000 - following appointment of administrator to Canberra Cosmos Pty Limited on 30 June 2000.

<sup>4</sup> 1997/1998 and 1998/1999 years no finalised accounts but qualified accounts issued.

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2000/2001	<u>(\$573,909)<sup>5</sup></u>
<b>Total</b>	<b><u>(\$2,589,011)</u></b>

5.3 Despite the record of annual trading losses Cosmos FC managed to continue operations for six years. This can be attributed to a number of factors including:

- forbearance and the goodwill of creditors due to the Club's status as a Canberra sporting team participating in a national competition;
- personal contributions of directors (estimate \$500,000);
- financial assistance provided by the ACT Government;
- write-off of debt (\$867,000) upon execution of deed of company arrangement following appointment of an administrator on 30 June 2000.

5.4 Overall, it is clear the Club was living a constant hand-to-mouth existence and was unable at any stage to find sufficient funds from its own trading activities to meet expenses, constantly accruing larger volumes of debt.

*"Its capacity to continue as a going concern was dependant upon the continued financial support of its shareholders, financiers, sponsors and creditors and its ability to return to a profitable situation to generate adequate cash flows from its operations."*

5.5 There is no single cause for the financial problems the Club experienced. NSL teams in other Australian cities have experienced similar problems and it seems likely that all Australian professional soccer teams face similar challenges. A team competing in a crowded Canberra sporting market faces particular challenges. Despite the challenges, successive boards of Cosmos FC believed, presumably, that there was potential for a Canberra NSL venture to succeed if the right mix of on-field success and off-field

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<sup>5</sup> Not a trading loss. 2000/2001 financial accounts were not completed. This amount is the administrator's estimated deficiency of liabilities over assets as at the date of administration in October 2001. The company was subsequently placed in liquidation.

organisation could be achieved. The fact that Cosmos FC did not succeed financially does not mean the Club could not have succeeded.

5.6 This Report certainly does not conclude that the Club was, inevitably, going to fail because of the pressure of a competitive sporting market and the reality of soccer presently being a second-tier spectator sport in Australia. Within the constraints, opportunities existed. These opportunities, so far as Cosmos FC is concerned, were ultimately not taken.

5.7 There are a number of factors concerning the Club's financial performance that were directly relevant to its failure. This chapter considers a number of these factors including:

- Spectator revenue
- Sponsorship
- Player and coach contracts
- Administration expenses

#### *Spectator revenue*

5.8 A major source of the Club's revenue was receipts from spectator ticket sales, season ticket sales and gate takings.

5.9 The Club was unable to achieve growth in spectator income over the period 1995-2001. In fact, attendances at games fell over the six-year period.

Season	Position	Av. home crowd *
1995/96	9th (12 teams)	2934
1996/97	14th (14 teams)	3176
1997/98	14th (14 teams)	2719
1998/99	15th (15 teams)	2337
1999/00	14th (16 teams)	2428
2000/01	11th (15 teams)	2184
(overall average)		(2628)

\* excludes 98/99 season 'home' fixtures played in Perth (1) and Melbourne (1)

- 5.10 Undoubtedly the Club's failure to attract a larger support base and higher spectator revenue was a major difficulty. Reasons for falling attendances were complex but were largely due to a continued poor on-field record and a poor general reputation in the minds of the Canberra public. Given the Club's playing record the lack of spectator support was hardly surprising, although the Club did have a loyal and dedicated group of followers. A successful Olympic soccer tournament failed to achieve significant ongoing benefits for Cosmos FC.
- 5.11 The lack of growth in spectator revenue made it very difficult for the Club and meant it was necessary to look to other sources of funding to meet financial targets.
- 5.12 Plainly, if Cosmos FC had been more successful in other areas of its operation and if playing performances had been better then spectator numbers would have been higher. Lack of spectator numbers is a symptom rather than the cause of the Club's problems. It is more helpful, looking back, to explore why it was that spectator numbers could not be increased. What failings contributed to the performances which led to such poor crowd support? Were the failings just the errors or weaknesses of a football team on a given day or systemic problems within the Club?

### *Sponsorship*

- 5.13 The Club did achieve success in growing sponsorship income, with particular success via the Novell sponsorship, at the time possibly the largest sponsorship for a team in NSL history (1998-2000 - \$200,000 per annum).
- 5.14 In its last season, however, (2000/2001) and during its disrupted preparation for the 2001/2002 season, the Club was unable to attract a major sponsor. The lack of a major sponsor providing early season cash flow at this time was a principal factor in the Club's eventual demise. Despite many positive achievements during the last full season (2000/2001) the inability to attract and retain a major sponsorship at a level equivalent to the Novell sponsorship was no doubt particularly disappointing to the Club's directors.
- 5.15 There are reasonable grounds for suggesting that had a major sponsor been obtained during this period then, given progress in other areas, the Club's future may have secured. As referred to earlier in this report, negotiations

with a potential sponsor in mid-2001 were significantly disrupted as a result of the initial Soccer Australia exclusion decision. Those negotiations could not be revived and this decision by Soccer Australia, subsequently reversed, appears to have had a decisive and negative effective on the Club's eventual fortunes.

*Player and coach contracts*

- 5.16 A number of submissions were critical of the Club's financial administration at various stages, with suggestions of profligate spending on player and coach contracts. For the greater part of its existence Cosmos FC in fact operated on a modest player budget, with most contracted players only being paid minimum wages and additional reliance upon casual squad players who were paid match payments only. Only a small number of players were on higher value "retainer" type contracts.
- 5.17 It is beyond the scope of this Report to comment on individual player or coach contracts. It is the opinion of this Report, however, that Cosmos FC's financial difficulties were not the result of over-spending on player and coach contracts. Whilst clearly the selection of players and coaches each season was a matter relevant to the Club's overall performance, it is not felt that poor or careless negotiation of contracts was a matter which led to the Club's financial problems. Indeed, the Club appears to have been successful, generally, in keeping player and coach payments within budgeted levels.
- 5.18 One of the difficulties the Club experienced was an inability to attract the highest quality players because of financial constraints and ongoing uncertainty about the Club's future. There was also the truism that without better quality players the Club's prospects of improved playing performances were limited, yet it was only with higher quality players that better performances were likely to be achieved and the Club's attractiveness and profile improved.
- 5.19 Despite the temptation to do so, there does not appear to have been any general pattern of overspending on player contracts beyond budgeted amounts. The Club's strategy of attempting to live within its means, and trying to do the best with what it could afford, was with only some limited exceptions, followed by the Club's directors. Certainly from time-to-time

individual players were engaged in an attempt to bring a higher level of expertise to the player squad, and some of those decisions, in retrospect, can be criticised. Overall, however, and particularly in the last two seasons of its existence, player contracts and payments were kept at the minimum level to field a competitive team.

#### *Administration and other expenses*

- 5.20 As with any organisation facing considerable financial pressure Cosmos FC attempted to control its administration and other expenses. Large proportions of Cosmos FC's costs, such as travel, competition charges and ground hire charges were fixed annually and were unavoidable. Discretionary expenditure was limited and there was very much a culture of only the most pressing debts being paid, often with considerable delay. Such a pattern of business activity must create considerable stress on staff and directors. It is also unlikely to assist the longer-term development of credibility for the organisation.
- 5.21 One area where the Club attempted to make "savings" was in the appointment of qualified and suitable executive management. This issue is dealt with further in the next chapter, but one of the consequences of Cosmos FC's financial difficulty was a reluctance by the Board of Directors to appoint qualified individuals with relevant management expertise. Cosmos FC office was frequently staffed with volunteers lacking direction and guidance and without the authority to put in place longer-term strategies. These volunteers, whilst successful in keeping the Club in existence for "just a bit longer", could not be expected to act with the same expertise as professional managers, which was one thing the Club surely lacked.
- 5.22 Accordingly, whilst short-term cost savings were achieved in not having paid managers (for instance there was a pattern of the office "closing" at the end of each playing season and a new "manager" being appointed shortly prior to the commencement of the next season) such savings were probably self-defeating. This is not to criticise the individuals who gave up their time to assist Cosmos FC's administration. The reality is, however, that volunteer staffing with only part-time management was not sufficient to meet the Club's needs and to allow appropriate longer-term strategies to be put in place.



- 5.23 This issue is dealt with further in the next chapter, dealing with “Management”, but it is the view of this Report that the lack of investment in skilled executive management was a major contributing factor to the Club’s ultimate failure and its poor overall financial performance. The imperative of short-term survival was never overcome and, almost inevitably, the “immediate needs” focus had a longer-term effect, with the Club unable to rectify its annual financial predicament.

*Financial performance - summary*

- 5.24 Cosmos FC failed consistently to meet desired targets or achieve a balance between revenue and expenses. Without such balance, no organisation can expect long-term survival and demise at some point or other would be inevitable.
- 5.25 Overall, and it is a trite observation but worth saying nevertheless, Cosmos FC simply lacked necessary funds and sufficient revenue at any stage of its existence to satisfy creditors and implement strategies for improving the Clubs programs across the board. This chronic lack of funds led to insufficient investment in critical areas including player strength, marketing and executive management resulting in the pattern of debt accumulation, recurring losses and eventual financial collapse.

## 6 Management Structure & Performance

Term of reference 2 - *“Any improvements to the structure and management of a future Canberra NSL team considered appropriate as a result of the non-admission of the Canberra Cosmos to the 2001/2002 NSL.”*

- 6.1 This chapter considers the second term of reference and, in particular, management structure and performance issues relevant to the non-admission to the 2001/2002 NSL competition in September 2001.
- 6.2 Management of Cosmos FC rested in the hands of a board of directors, comprising nominees of the various shareholder interests, as well as the Club’s employed and volunteer staff who performed a range of administrative or, to a lesser degree, managerial roles. Submissions to this enquiry were critical of aspects of the operation of the Canberra Cosmos FC board of directors, and with their effectiveness as the Club’s managers and leaders. Submissions were also critical of the board’s ability to put in place a management team which was capable of implementing successful strategies for achieving the Club’s goals.
- 6.3 A number of issues were raised in submissions as being matters which contributed to ineffective management both at a board or executive level. The Report considers issues effecting both the boards performance and the performance of (executive) company management.

### *Nominee directors*

- 6.4 One matter already referred to above, is the fact of Cosmos FC directors being appointees of the shareholder interests. This “nominee” characteristic is claimed to have caused significant problems, limiting the effectiveness of the board. Examples include:
- Tension between directors because of underlying issues between the respective shareholder interests;
  - Perceptions that the nominee directors were promoting the interests of the shareholder interests in preference to Cosmos FC;

- An inability of shareholder interests to fill all nominee director positions;
- Lack of co-operation, team work and mutual goal-sharing as between directors;
- A lack of appropriate skills in the nominee directors - with the board have to make use of the skills of the nominated director rather than being able to seek directors with particular skills required by Cosmos FC;
- Lack of previous NSL experience in membership of initial board including lack of football knowledge at that level.

6.5 Board members did not have specific skills sets complementing other board members and the direction of the organisation.

#### ***Board instability***

6.6 It is apparent also that membership of the Cosmos FC was something of a “revolving door”. During the period December 1995 to September 2001, the Club had 31 directors. This averages five new directors for each year of the Club’s existence. During this period the Club also had five chairmen<sup>6</sup>, Ron Watkins, Paul Murphy, Ian Knop, Daniel Moulis and Christopher Dillon. The Club’s inability to maintain a stable board for any length of time was clearly a contributing factor in its failure to develop and implement successful business practices.

*“Decisions were being made outside proper corporate governance which gave the risk of over-spending.”*

6.7 A number of submissions were critical of the leadership styles of various Cosmos FC chairman. As discussed previously, the structural issues and chronic financial pressures created an environment in which the leadership of Cosmos FC faced immense challenges. Whilst it is a chairman’s responsibility to foster and create the necessary environment to achieve success, and to provide leadership for this purpose, it is unfair to lay blame

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<sup>6</sup> Excluding Bill Bariamis

for the failings of this organisation, given its background and history, at the feet of any one individual or individuals.

### *Executive management*

- 6.8 It does appear, however, that successive Cosmos FC boards were unable to develop strategies for success and equally importantly were unable to put in place a suitable executive management structure. If the criticism of a “revolving door” board is valid, then stronger criticism is justified for the board’s inability to recruit and retain appropriately qualified staff needed to provide day to day management expertise. For example, whilst the Club employed a number of persons as “General Manager” in reality those persons were tasked with relatively low-order administrative responsibilities rather than being asked to assist the board with development and implementation of appropriate policies and strategies. At no stage was the Club able to recruit or employ a chief executive officer whose responsibilities included development and implementation of a business plan.
- 6.9 Submissions also referred to tensions at various stages between the board and executive management, which is hardly conducive to optimum performance by either, or the establishment of a good culture within the organisation where there was internal support for each other. The absence of such internal support was no doubt demoralising and demotivating for the parties concerned.
- 6.10 A number of submissions criticised the high turnover of staff within the Cosmos FC office. No doubt this was due to financial pressures and the stresses of employment in a difficult environment, making staff retention and recruitment difficult. Nonetheless, the costs to an organisation of high staff turnover, particularly a small service oriented company, can hardly be overstated. Loss of knowledge, costs of re-training and “re-learning” were a burden on already stretched resources. The turnover of staff was an outcome of internal problems and this did not give any opportunity to create stability.
- 6.11 The Club’s annual financial predicament also meant that it effectively “closed shop” at the end of each season and resumed trading, usually with new staff, only a short period prior to the commencement of the following.

This season-by-season approach, forced on the Club by its financial circumstances, made it difficult for the Club to improve its overall circumstances and led to the cash-poor, crisis-driven cycle recurring each year.

- 6.12 As discussed above and in the preceding chapter it is the view of this Report that management failings at a board and executive level were a significant contributing factor in the inability of Cosmos FC, over a number of years, to break the cycle of short-term, crisis driven management. Undoubtedly the Club's chronic lack of resources made it difficult to put in place a management team with appropriate skills and experience. Nevertheless, without such a team the Club's prospects of improvement in its overall position were severely impaired.
- 6.13 Ultimately, and too often, it fell to individual directors and volunteer staff members to attempt to be 'all things to all people' and to both devise and implement strategies and programs for the Club's operations. More desirably the board of directors would be assisted with both policy development and implementation by qualified management who would, in turn, make use of properly harnessed volunteer labour. This lack of a working and effective management structure was a recurring feature and in the opinion of this Report was a major contributing factor in the Club's failure.

#### *Planning issues*

- 6.14 Fundamental to the success of an organisation is the ability to identify and manage risk factors. This is considered good practice as a management discipline. Risk management should be a formal and systematic process where, annually, an assessment of all aspects of the organisation are under review. From a board perspective the risk assessment should comprise key functions such as finance, personnel, operations and marketing. Under each identified major category a plan should be established. All identified risks are categorised and prioritised as to their impact on the organisation. Strategies need to be developed to mitigate the risk and reduce the impact on the organisation.
- 6.15 The information available to this Enquiry suggests that no risk management plan was in place for Cosmos FC. There was also an apparent absence of

internal management controls to measure and track issues and successes - ie what is working and what is not.

- 6.16 A formalised business plan sets the strategic direction of the organisation; it identifies the high level objectives that the organisation sees as crucial to success. The operational plan provides the actions, tasks and responsibilities that need to be undertaken to move the organisation along to achieving these objectives. Management of key stakeholders was also on a needs basis only, certainly reactionary. Stakeholders would have included but are not limited to sponsors, government, Soccer Canberra, Soccer Australia, supporters club, coaches, players and shareholders.
- 6.17 It appears that business fundamentals such as a formal business plan, operational plan, and stakeholder management plan were not adopted by successive Cosmos FC boards, to the cost of the Club as a whole.

## 7 Management issues - various

- 7.1 A number of management issues not dealt with in the previous chapter were raised in submissions. These issues are discussed below. They illustrate in a practical way the consequences of some of the broader failings discussed in the previous chapter, for example as a consequence of the lack of an experienced and settled management team.
- 7.2 The additional management issues discussed below are:
- Player retention
  - Media relations
  - Relations with AIS
  - Cosmos Supporters Club

### *Player retention*

- 7.3 The importance of disciplined and strategic player engagement practices for a developing professional sporting team cannot be over-emphasised. A club with limited resources must hope to develop its player-base with skilful coaching, hard work and strong performances in all fields of activity so as to create a "success" culture. Cosmos FC was unable to develop or retain its players from season to season. The Club could not afford to offer longer-term contracts and as a result faced the prospect annually of losing players to offer clubs. This had a devastating effect on the Club's ability to improve year-by-year.
- 7.4 The Club's financial position meant it was effectively re-building its player-base each year and could not take advantage of gains achieved in previous seasons (both in terms of individual player improvement and in a team structure sense). It is a well known professional football truism that a successful team is not built overnight, but Cosmos FC was, each season, putting a new team together, often with many or most of the previous season's players having departed (including departure of better or developing players to other Clubs). The Club was in many instances unable even to offer contracts to players or take advantage of transfer fee or transfer

compensation. As a result the Club's best chance of improving its financial position (by attracting a higher level of spectator and sponsor interest by achieving on-field success) was always unlikely. Each season began with a largely new and untried squad, often with a limited preparation, leaving the coach with a very difficult task. Too often Cosmos FC teams performed very poorly in critical early season games, losing respect, support and confidence as a result.

- 7.5 That the Club was incapable of retaining, annually, its best and its developing players is one of several important indicators of just how precarious was the Club's existence, and of how the patterns of previous unsuccessful seasons were destined to be repeated annually.

#### *Media relations*

- 7.6 A number of submissions were critical of the Club's perceived lack of commitment to a positive relationship with the media. At various stages of its existence the management of the Club felt it was receiving inadequate or negative media support and that the majority of the Canberra media was "against" it. In the Club's last two seasons better media relations were fostered, with some consequent improvement in the Club's community reputation and profile.
- 7.7 Media relations is another area which would have benefited from a stable management structure, as discussed above. Media relations, well handled, have the potential to be tremendously beneficial for a sporting group. Poor media relations, and the degradation of an already poor reputation, is something which a company such as Cosmos FC needed at all costs to avoid.

#### *Relations with Australian Institute of Sport*

- 7.8 Despite the presence in Canberra of an elite training program for Australia's most talented 16 to 18 year old footballers (AIS scholarship holders) Cosmos FC was, with limited exceptions, unable to achieve any lasting partnership with or benefit from the AIS program. Indeed a number of submissions suggested that from an early stage Cosmos FC had a reputation as a "no-go" area within the AIS program. Whilst such a view may have reflected personality clashes from year-to-year the fact is that over a six-year period



Cosmos FC was unable to attract more than a handful of AIS scholarship-holders to its playing staff.

- 7.9 At no stage of its existence was Cosmos FC able to develop links or partnerships with the AIS and this does not ever appear to have been a priority for the Club.
- 7.10 Given the proximity of the Club to these young and talented players, many of whom have subsequently had successful professional careers, this does seem to have been a wasted opportunity.

#### *Cosmos Supporters Club*

- 7.11 A submission from the Cosmos Supporters Club was critical of Cosmos FC management in a number of respects. The Cosmos Supporter's Club, a volunteer organisation created to foster and develop support for Cosmos FC, believed that through successive Club management regimes it was treated, at best, as an after-thought. Examples included:
- Minimal contact with the Board;
  - No single contact point at the Club;
  - Allocation to the Supporters Club of the task of marketing Club merchandise;
  - Lack of co-ordination of Club activities, functions and marketing strategies; and
  - Lack of promotional material.
- 7.12 It is disappointing that such a well-intentioned and potentially beneficial group felt that the Club did not adequately support its activities. Clearly, enough there will be mutual benefits to a strong relationship between Club and Supporters Club and such a group, well harnessed, would be a valuable resource for a Club seeking additional community support and involvement. Again, to a considerable degree, the Supporter's Club frustrations probably reflected the lack of executive management resources, but they also reflect a failure by successive boards to address these issues.

## 8 Soccer Canberra role

Term of reference 3 - *“The desirability of Soccer Canberra having an ownership role (either part or whole) for a future Canberra NSL team, and the role in which Soccer Canberra might have in the ongoing management of such a team.”*

8.1 Throughout the short existence of Cosmos FC, Soccer Canberra has played a key role. Examples of the Soccer Canberra influence include:

- Procuring the initial National Soccer League licence from Soccer Australia on behalf of Cosmos FC;
- Responsibility for the Club’s incorporation and for devising and implementing the “community club” concept;
- Commencing Cosmos FC operations with Soccer Canberra staff, from Soccer Canberra premises;
- Facilitating ACT Government financial assistance;
- Ownership, including being an initial one-third and subsequent majority shareholder;
- Responsibility for the appointment of a majority of Cosmos FC’s directors; and
- Shareholder funding and general administrative and financial assistance.

8.2 The inherent financial risks associated with an elite sporting team (particularly in the Australia soccer environment) do not sit well with an organisation tasked with management and development of senior and junior soccer in the ACT region. Whereas the operation of an NSL team is something of a high-risk venture, with a relatively high probability of failure, it is quite unacceptable to contemplate the failure and financial collapse of a body such as Soccer Canberra. The consequences of collapse of Soccer Canberra because of close association with a failed NSL venture would be serious indeed, and would have long term effects. Certainly many

Soccer Canberra members expressed concern about the risk of association with a financially perilous Cosmos FC. It would be quite appropriate therefore for Soccer Canberra to be risk-averse and to avoid exposure to high risk operations such as an NSL team.

- 8.3 As is apparent from the structure and ownership issues discussion above Cosmos FC and Soccer Canberra were never one and the same entity, and it would be inappropriate to suggest that Soccer Canberra was directly responsible for Cosmos FC's failings. Nevertheless, the extent to which Soccer Canberra has shaped and directed the Club is significant, and there are legitimate issues to be considered as to whether such influence was in the best interests either body. Ultimately, Soccer Canberra was unable to provide Cosmos FC with the structure, financial framework or management expertise necessary to secure the organisation's success and long term future.
- 8.4 It is proper to question whether the extent of financial contribution by Soccer Canberra to Cosmos FC was in the best interests of the Canberra soccer community. From an early stage it was recognised by Soccer Canberra and its members that there were financial risks in a National Soccer League team being operated from (and by) a regional soccer body. Steps were taken by early 1996 to separate the two organisations, however to some extent the precedent had been set and Soccer Canberra continued to be closely linked to Cosmos FC, both operationally and financially.
- 8.5 As referred to elsewhere in this Report, the extent of financial contribution by Soccer Canberra to the Cosmos FC over a six-year period has been estimated as being as high as \$500,000. Clearly enough, as the body responsible for Cosmos FC's creation, and as a major (and subsequently majority) shareholder, it was appropriate for Soccer Canberra to make a financial contribution within the constraints of its budget. To make such direct financial contributions potentially placed at risk the viability and development of Soccer Canberra's other programs, as well as risking the alienation of those Soccer Canberra members who preferred not to see direct Soccer Canberra financial contributions to Cosmos FC. The number of such members, both at a senior and junior level, was not insubstantial.
- 8.6 It is the conclusion of this Report that in all the circumstances it was appropriate for Soccer Canberra as the major shareholder to both provide

direct and indirect financial support to Cosmos FC. The extent of such contribution varied from year-to-year, and although placing pressure on Soccer Canberra's own budget position, did not ever place that organisation in financial difficulty. No doubt, financial assistance by Soccer Canberra resulted in the reallocation of resources away from other soccer programs, and ideally this would not have occurred if Cosmos FC had been better able to fund its own activities directly. Clearly, Soccer Canberra was not in a position to provide annual or ongoing funding to meet Cosmos FC's financial needs. Had there been closer financial links between the two organisations this may have had a potentially deleterious effect on Soccer Canberra's own viability.

#### *Soccer Canberra ownership*

- 8.7 Questions remain about whether Soccer Canberra ought to have been an owner, either whole or part, of a Canberra NSL participant. There are a number of factors suggesting that Soccer Canberra is not suited to ownership of such a venture. Although Soccer Canberra has considerable expertise in the organisation and management of soccer programs it does not have a strong track record in commercial activities of the size and nature of an NSL team. Its experience in marketing, financial administration and technical football management are in fact quite different to the skills required to develop and sustain a single team high-performance sporting team. There is little overlap between the business skills required for Soccer Canberra's normal day to day activities and the skills to develop a competitive, sustainable NSL venture.
- 8.8 Even if Soccer Canberra is not an owner of a future NSW team, there are numerous ways in which Soccer Canberra could provide assistance to a Canberra NSL team, apart from direct equity ownership. These include:
- Facilitating the creation of a new Canberra NSL team;
  - Assisting and nurturing relations with Soccer Australia;
  - Promoting links between the NSL team and the Canberra soccer community - both at a senior and junior level;

- Promoting a Canberra NSL team to member Clubs and the ACT public;
- Assisting with links between the NSL team and the ACT academy; and
- Making direct financial contributions - as budgeted for by Soccer Canberra.

8.9 There is likely to be benefit in the NSL team having a board member whose portfolio includes relations with Soccer Canberra. This role should be one where the NSL team accepts that it is properly a matter for it to foster and develop links with Soccer Canberra and its members as a core business objective. Links with Soccer Canberra and development of a strong relationship will only benefit a future Canberra NSL team.

8.10 In summary, it is the view of this Report that Soccer Canberra should have an important role in the establishment and development of a new Canberra NSL team. This role ought to be different to the previous 'father/son' relationship, where Soccer Canberra always felt responsible for Cosmos FC. Rather, the next generation Canberra NSL team should be independent of Soccer Canberra, in terms of ownership, management and financial dependence. Certainly, the relationship between Soccer Canberra and a Canberra NSL team should be a strong one but not to the point where the very viability and existence of Soccer Canberra is threatened. An independent Canberra NSL team, properly assisted by Soccer Canberra, will complement the activities of both organisations, to mutual benefit of all in Canberra.

## 9 Recommendations

The recommendations of this Report are as follows:

- [R1] A community model club, involving significant shareholdings by more than one Canberra sporting club, is an unsuitable structure for a future Canberra NSL team.
- [R2] Private ownership, either via a syndicate of equal co-owners, or with a majority owner and other minor private shareholders, would be a suitable legal structure for a future Canberra NSL team.
- [R3] A capacity to market itself to potential investors, and a capacity to receive equity contributions (in exchange for shares), are desirable features for a future Canberra NSL team and must be considered in establishing the legal structure of such an organisation.
- [R4] Soccer Canberra's role as a regional body responsible for senior and junior soccer means it ought not be exposed to high risk operations such as an NSL team and ought not be a major shareholder of a future Canberra NSL team.
- [R5] Soccer Canberra ought to have an important role in the establishment and ongoing development of a future Canberra NSL team including:
- Facilitating the creation of a new Canberra NSL team;
  - Assisting and nurturing relations with Soccer Australia;
  - Promoting links between the NSL team and the Canberra soccer community - both at a senior and junior level;
  - Promoting a Canberra NSL team to member Clubs and the ACT public;
  - Assisting with links between the NSL team and the ACT academy; and
  - Making direct financial contributions - as budgeted for by Soccer Canberra.

- [R6] Adequate initial capitalisation, ongoing sources of funding and the development of a comprehensive business plan are crucial to the success of a future Canberra NSL team.
- [R7] Appointment of a board where skill sets match the tasks of the board members is essential in order to achieve success and to enable the board to provide appropriate leadership.
- [R8] Board members of a future Canberra NSL team ought not to have personal or other interests which conflicts with the interests of that team.
- [R9] A future Canberra NSL team ought to have a least one board member with NSL (or equivalent) playing or coaching experience.
- [R10] A future Canberra NSL team should include as a board member one person whose portfolio includes responsibility for fostering and developing relations with Soccer Canberra and its member clubs and players.
- [R11] Investment in skilled executive management is an essential requirement for the development of a successful professional sporting organisation. The attraction of qualified and appropriately skilled executive management team to minimise staff turnover and maximise corporate learning should be a priority for a future Canberra NSL team.
- [R12] A chief executive officer tasked with development and implementation of a comprehensive business plan should be appointed to manage a future Canberra NSL team.
- [R13] Use of volunteer labour is only appropriate for limited tasks and with appropriate supervision, and not as a medium-term staffing strategy for a professional sporting organisation.
- [R14] A "season-by-season" approach with closure at the end of each season is short-sighted and results in loss of opportunity to use "down time" for planning and administrative tasks.
- [R15] Key business fundamentals such as a formal business plan to set the strategic direction of the organisation, and an operational plan detailing actions, tasks and responsibilities to be developed to achieve business plan objectives, are essential requirements for a future Canberra NSL team.

- [R16] Development of a risk management plan addressing key functions such as finance, personnel, operations and marketing is required each year. Strategies to minimise risk need to be developed.
- [R17] Player retention and development strategies need to be implemented so as to avoid the loss of improving and talented players and to assist season-to-season development.
- [R18] Relations with key stakeholders including the regulator (Soccer Australia), government, ACT soccer community, sponsors are a key business issue for a future Canberra NSL team and need to be given high priority.
- [R19] Internal relationships (coaches, administrators, board members, players and supporters) need to be managed so as to achieve support internally for each other.
- [R20] Media relations need to be treated as a core business tasks so as to maximise potential for the development of the Club's reputation and profile.
- [R21] Opportunities for links or partnerships with the AIS exist and should be explored in conjunction with other stakeholders.
- [R22] Supporter clubs are a valuable resource for a sporting organisation and should be treated as an important part of the organisation as a whole.