



New Zealand Golf Annual Levy
Rationale for 2016 Increase

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Executive Summary

New Zealand Golf (NZG) currently provides a wide range of services associated with the game which fall under two principal areas of operation, namely growing the game and supporting the game. Other key activities include running the national handicapping system, overseeing the Rules of Golf, managing the NZG representative team programme (including the Olympic programme), and delivering 20 elite golf tournaments including the NZ Open Championships.

While NZG has been in existence for more than 100 years, it is quickly adapting to the changing market and positioning itself to better support the game. With the support of District Associations, the business focus has shifted from playing the game to also include grassroots growth and support services for golf clubs. The community golf programme aims to improve the capability of golf clubs to grow golf participation, membership, coaching, volunteering and partnerships.

In order to achieve the ambitious outcomes defined in the NZG strategic plan, the revenue base of the national organisation needs to grow to provide the investment required into the various growth and support initiatives designed to improve the health of the sport at grass roots level.

Although the NZG levy has not increased for eight years, this alone is not a reason to increase the levy paid by affiliated members. Given levy revenue makes up just 51% of total revenue, generating increases in commercial and other operating income remains the highest priority.

On balance, and after careful review, increasing total revenue needs to be achieved on a shared basis and it was on this basis the levy increase was proposed. The increase will help meet NZG's new operational requirements that are focused on improving the health of our sport. The increase is based on sound rationale and a clearly defined and transparent allocation of levy monies.

Rationale for annual levy increase:

1. The game of golf is faced with a unique set of issues and challenges.
2. NZG has a new agreed strategy focused on growing and supporting the game of golf.
3. Throughout the past eight years, the NZG operational cost structure has significantly increased while overall revenue has remained static.
4. In order to achieve the desired outcomes as defined in the NZG strategic plan, more resources are needed to deliver an increase in direct club support services.

The 2016 levy increases will yield increased revenue for NZG of approximately \$462,500 which will be transparently invested into direct club services support staff and resources aimed at improving the health of the game and strengthening New Zealand Golf across every facet of its business. While part of the increased level of investment will need to come from the levy increases, it is possible in the near future a levy model may need to be introduced that ensures all people playing golf contribute to the game, not just clubs and their members.

Any proposal to increase the annual levy is never an easy path to take. However, on balance and when carefully reviewed, it is clear that increased levels of investment are required to 'reconfigure' the sport for the future. The additional revenue received will go a long way towards helping the organisation to deliver outcomes that will benefit the sport as a whole.

Process to Approve 2016 Annual Levy Rate

The NZG Board proposed at its 9 June 2015 meeting that the annual levy for 2016 should be increased. The resolution was as follows:

The Board had an in depth discussion and unanimously resolved that the 2016 Affiliation Levy be increased by \$5.00 + GST for full and \$2.50 + GST for summer members, with an annual CPI increase from 2017.

Following this Board recommendation, the proposed alteration had to be approved by members (District Associations) by way of a postal vote in advance of 30 September.

The District Associations supported the proposal to increase the 2016 levy rate by way of a postal vote majority with 12 for and 3 against the proposal.

Confirmed 2016 Annual Levy Rates

The NZG 2016 annual levy rates are confirmed as follows:

- | | | |
|-----------------------|---------------|--------------------------------|
| a) Club members: | \$30.00 + GST | (increased from \$25.00 + GST) |
| b) Summer members: | \$15.00 + GST | (increased from \$12.50 + GST) |
| c) Life members: | \$0.00 | (no change from 2015) |
| d) Junior members: | \$0.00 | (no change from 2015) |
| e) Secondary members: | \$0.00 | (no change from 2015) |

Background

Current Levy Structure

An annual levy is charged to all NZG affiliated members (golf clubs). The levy due from each golf club is calculated on recorded membership numbers from the previous calendar year. To facilitate the levy assessment and invoicing process, a sophisticated software calculation system is used collaboratively by golf clubs and NZG administrators.

A report is published as at 1 January each year and this is then critiqued and ratified by golf club administrators through an online system over a period of two months through until 1 March. At this date, affiliation invoices are issued to all golf clubs with final payments due 20 April (or by 31 October if time payment arrangements are made).

Who Pays the Levy?

An often promoted view is the NZG levy is a fee individually contributed by each club member, collected by golf clubs and then passed on to NZG. This is not the case. The process is in fact slightly different in that NZG charges each affiliated member (golf club) an annual levy calculated on its individual membership records from the previous year. While most clubs choose to identify and pass this levy charge on to the individual club member, the payment of the NZG levy from a golf club is not contingent on any fees being paid by the club members i.e if a golf club was to give free membership to its members for a year, an annual levy would still be due to NZG, calculated on the number of members registered throughout the calendar year.

Current Levy Revenue

In 2014, the annual levy revenue received was calculated on a total of 93,536 full playing members. This total excluded life, secondary and junior members. Over the past ten years, the levy revenue received made up between 43% and 55% of total income received by NZG. The past five years of levy revenue are as follows:

Year	Total Levy Revenue	Total Revenue	Levy Revenue as a % of Total Income
2010	2,714,140	5,359,398	51%
2011	2,657,129	6,233,567	43%
2012	2,507,475	4,642,966	54%
2013	2,454,882	4,744,548	52%
2014	2,403,987	4,748,605	51%

New Zealand Golf Levy History



Inflation Adjusted Levy Analysis

While not a rationale for change itself, if the annual levy had historically been adjusted to reflect CPI increases over the eight year period to 2015, the full playing levy would currently be \$29.53 (as calculated by the New Zealand Reserve Bank Inflation Calculator).

Inflation Calculator

To recalculate results, change the category, cost and dates below:

Category
General (CPI) ▼

Cost \$
25

Date of cost above
2007 Q1 ▼

Date for comparison
2015 Q1 ▼

Calculate

A basket of goods and services that cost \$25.00 in quarter 1 of 2007 would have cost

\$29.53

in quarter 1 of 2015

Total percentage change	18.1%
Number of years difference	8.00
Compound average annual rate	2.1%
Decline in purchasing power	15.3%
Index value for 2007 quarter 1 is	1010.0
Index value for 2015 quarter 1 is	1193.0

Statement Last Updated: 11/08/2015 9:33:48 p.m.

Clear

Rationale for an Annual Levy Increase

The fact that the annual levy has remained at a static rate for the past eight years is not rationale alone for any increase. This paper sets out four key areas that provide rationale for a levy increase.

Strategic Context

Today the best of organised sports constantly review and monitor the environment in which they operate, predicting the challenges and changes ahead and designing their future pathways.

Golf's future strategic context faces the challenges of an ageing population, a community with time pressured lifestyles and looking for ways to increase well-being by reducing the lifestyle induced threat of obesity, and all while showing less willingness to make the time or economic investment required to participate in club based activities. Overseas research shows a clear link between the playing of golf and clear health and social benefits. These benefits need to be better communicated in our country.

To meet the challenges facing the sport, NZG has developed a new strategic plan that features an increased focus on the health of the sport at the grass roots level. While NZG has existed for more than 100 years, the organisation is adapting to the changing market and positioning itself to better support the game. The business focus has shifted from playing the game to also include grassroots growth and support services for golf clubs. The community golf programme aims to improve the capability of golf clubs to grow golf participation, membership, coaching, volunteering and partnerships.



Increased Investment Requirements

Meeting both the challenges and the opportunities of the future will require increased levels of investment to 'reconfigure' the sport for contemporary realities. There will be need for: better engagement with the education system; new solutions to address the variations that exist in accessing the game; a focused effort to increase the number of women and girls engaging in the game; a more effective deployment of our volunteer and professional ranks; an improved public image and perception of golf as a game for life, and a clear focus on improving the financial health of golf clubs at the grass roots level.

To facilitate this change and to deliver the outcomes defined in the strategic plan, NZG urgently needs to grow overall revenue. Implementing the required initiatives to deliver increased support services to clubs will require increased investment of funds. If new funds are not secured, NZG runs the risk of not being able to deliver services desperately required by the golf sector.

Increased Demand for Services

While NZG wishes to strengthen every facet of its operation and in particular increase its support services to clubs, the requirement for these services is validated by the growth in demand for these services from clubs. In particular, golf clubs are increasingly looking for NZG to provide services and resources that can assist the unique challenges being faced by the modern day club. From compliance and regulatory requirements, to effectively generating a participation and membership pipeline, there is an increasing demand for NZG to allocate more time, investment and resources into club support services.

Increasing Cost Structures

Throughout the past eight years, there is no question that NZG as an organisation has experienced a significant cost structure increase. Most significantly, the costs to deliver the national handicapping system have increased by 52% over the eight year period that the annual levy has remained at the current rate. This major increase, coupled with increased supplier costs and an increase in the GST rate, has provided challenges for NZG. Without an increase in revenue, there is real risk the level of current services provision will not be able to be retained.

What Will An Increase in the Annual Levy Deliver?

Current Services Provision

In return for the annual levy paid, and as part of NZG's role as the leadership entity for the game, the following services are currently provided to the golf sector in New Zealand:

- Handicap System: NZG has a handicap system that is regarded as one of the best in the world, combined with a handicapping website that is one of the biggest and most popular sport sites in New Zealand.
- Course Rating: The provision of resources and training to support our course rating volunteers and the national course rating system.
- Rules of Golf: Managing Rules of Golf in New Zealand including the training and development of rules officials.
- Amateur Status: Managing all amateur status queries.
- Member Benefits: Through the national handicapping website, the offering of member benefits such as supplier discounts, online handicap competitions.
- Promotion and Marketing: NZG plays an important part in the national promotion and marketing of golf through various channels and platforms. Most recently, NZG has launched the LOVE Golf campaign which aims to change perceptions of golf through showcasing the game in a fun, light-hearted and youthful way along with increasing membership and participation. Other areas NZG supports to promote the game are the Junior Tiger Series, Cheeky9, NZ Men's and Women's Opens and support of the Holden Golf Show on TV.
- National Golf Club Seminar Series covering various topics of interest that will help boost golf club administration capability.
- Employment of two new Club Capability Managers (CCMs) for Northland, North Harbour, Auckland, Waikato and Bay of Plenty. The CCMs work with District Associations and golf clubs on governance, strategic planning, marketing and targeted projects.
- Knowledge, management and creation of golf club resources and templates.
- Developing effective partnerships with organisations to support the growth and support of golf clubs (The First Tee NZ, SNAG Golf NZ, Project Litefoot – LiteClub, Switch Utilities).
- National Group Buying Power Programme - n3. Helping golf clubs to make savings by activating their free account to access national group buying discounts from suppliers.
- NZ Sports Turf Institute Partnership - an investment that delivers personalised expert turf management advice to over 100 golf clubs each year.
- Financial investment support for District Associations to employ Golf Development Managers (GDMs). The GDMs network provides support services to golf clubs through the Partner Club Programme.

Additional Annual Levy Revenue

The increase in levy revenue for 2016 is conservatively projected as follows:

*90,000 full playing club members	x \$5.00 + GST	=	\$450,000
*5,000 summer members	x \$2.50 + GST	=	\$ 12,500
<u>Potential increase in affiliated levy revenue</u>			<u>= \$462,500</u>

Additional Service Provision

The entire amount of funds received from the 2016 annual levy increase will be reinvested into support services that are directly provided to golf clubs.

The new strategic plan adopted by NZG sets out the ambition to grow and support the game of golf. Given the challenges facing the game at the grass roots level, the increased levy revenue will be allocated in the following areas:

1. Club Support Staff - Employment of additional club support service staff to work in regional locations.

Currently just two club support staff are employed and our objective is to expand this number to serve more clubs throughout the country. The purpose of these roles is to provide direct support to golf clubs in areas such as governance, strategic planning, marketing and targeted projects to increase participation and membership levels.

2. Club Support Resources

It would be of benefit to clubs if NZG was able to invest in additional promotion and marketing activities, more golf club seminars and the creation of additional golf club resources and templates. In addition, NZG would like to develop its technology platforms and further optimise the performance of New Zealand Golf Network Limited (DotGolf).

Future Annual Levy Considerations

For the foreseeable future, it is highly likely the club membership levy model will provide the predominant levy stream. Society however is changing and we may very well adopt a future levy model that ensures all people playing golf contribute to the game.

While not considered in this paper, consideration should be given to a future restructured levy model that encompasses wider contributions from different parts of the sector. For example, the following could be considered as part of a national levy structure:

- a) Club member levy
- b) Golf club levy
- c) Golf course levy
- d) Affiliation levies from other golf facilities outside of golf clubs; and
- e) Contributions from green fee and casual players.