We recommend that the CA Board adopt a regular review of Board and individual Director performance.

10. A Workable Financial Model

A great deal of very good and difficult work has been carried out in the Financial Model project, and it still continues. Our question is - why is this necessary?

It is necessary because of existing agreements as to how revenue will be shared between members and because the States do not trust each other on how future funding allocations will be made. The result, however, will be a financial allocation system of great complexity, one that largely diminishes future flexibility and one that almost certainly guarantees future frustration and resentment.

Importantly, we doubt that 'independent' Board members of high quality will want to join the CA Board if their hands are mostly tied by agreements about how cricket's funds are allocated. Allocating resources is surely one of the key roles of a Board as it responds to strategic priorities.

Under our recommended model, the States will control Board appointments and, if there is reason to do so, can at any stage dismiss the Board. That is the States' protection. And we also find it difficult to imagine that the CA Board would fail to understand that adequately funding the State structures and teams and recognizing existing stadium commitments is in the best interests of cricket. As the AFL Board seeks to protect the viability of its own shareholders, so we would expect that cricket's leaders would do the same.

The simple solution is also the right one. The Board should be free to allocate cricket's resources and there should be no pre-conditions other than ensuring that each State should be provided with an agreed level of funding that will enable them to fulfill their role.
Our recommendation is that the CA Board be responsible for the allocation of financial resources in accordance with the strategy approved by the Board, taking into account the viability of the State operations and existing stadium commitments.
C. TRANSITIONAL ARRANGEMENTS

If our recommendations are accepted, there will be the task of moving towards a new Board structure. The question arises of how and when this should take place.

Our recommendation is straightforward. We do not suggest a long transition time. This is not complicated – it is much less complex than merging two organizations or carrying out a major reorganization inside a company. This is more a question of "will" and "goodwill" while taking sensible steps to ensure that corporate memory is not lost from the Board.

Clearly, the first step will be to reach a decision on whether the recommendations in this document are to be accepted. To facilitate this, we envisage that the CA Chairman, supported by one or two CA executives, will spend considerable time meeting with the CA Board members and the State Boards over this coming summer. The intention will be that the required voting takes place by the end of the 2011/12 summer.

If the decision is made to proceed to change the CA governance structure, our suggestions follow.

That transitional arrangements to implement these recommendations be as follows:

- That an Interim Nomination Committee be formed to search for suitable Board candidates – and that this Interim Committee consist of the current CA Chairman, two State Presidents and two very experienced company Directors who have no current roles in cricket and who will not be candidates for the new Board. One of these two should chair this Interim Nomination Committee.

- That this Interim Nomination Committee identify and agree preferred candidates to the new CA Board with a view to presenting these names to the States for their endorsement by the middle of 2012.
- That the new CA Board includes several members – we suggest around three or four - from the existing Board to ensure that there is some carry over of knowledge at Board level

- That the Interim Nomination Committee take into account that the new Board will need to elect a Chairman from its membership

- That the new Board be ready to be installed by 30 June, 2012 (in seven months time)

- That Board members be appointed for three years with one-third retiring each year. As a transitional arrangement, one-third of the Board members appointed in June 2012, to retire at the end of years one and two following their appointment.
D. CONCLUDING COMMENTS

A number of legitimate questions will be raised by these recommendations. Some will centre on concerns about whether the proposals are truly better than persisting with the status quo. Two issues stand out here as raised during interviews, being:

i. retention of the "Federated" structure of CA's governance and
ii. that "cricket is unique" and should ignore examples from other sports and industries.

The 'federal' structure: We firmly believe that the "federal" structure of cricket's governance is no longer adequate to the challenges ahead. We have pointed out that the current structure is hard-wiring lack of trust into the cricket governance structure because of its inherent conflicts of interest.

The 'federal' structure is primarily a form of government in which several States form a political unity but remain independent in internal affairs. We have no argument about this as a political arrangement but suggest that it isn't a good basis to run the business of cricket. The 'business' of cricket will include negotiating increased national media and sponsorship revenues, ensuring game development programs are in place and well executed, negotiating facilities investments, securing government support at all levels, ensuring that structures are in place that enhance the performance of our national teams, managing the cost base of the business, negotiating with the players, recruiting and developing staff, and so forth. Cricket needs to be run with the very best disciplines of a well-run business.

An assumption underlying cricket's federated structure is that each party brings a viable entity to the arrangement. And this was, for many years, true of cricket. Decades and more ago, the State competitions may have been viable on their own account. But this is no longer true.

Today, the State-versus-State cricket competitions are loss-makers. In years past, the revenue from State competitions paid the costs. The viability of elite cricket now depends on the national teams and the revenue flows that are derived there-from.
Even apparently viable State organizations are only viable because of revenues earned off the back of the national team's fixtures. And where the States are owners of stadia, the revenue flows here again are significantly derived from access to the national team's fixture.

The States are shareholders in two cricket businesses. They each hold a minority share in a very profitable national cricket business. And they each own 100% of a loss-making State cricket business where their costs of competing are no longer covered by their revenues. In our view, these economic facts weaken the case for the 'federal' model. State cricket can no longer pay its way.

We note that most Australian industries were organized on a 'federal' basis for much of our national history. The State Manager in most Australian companies was 'king' up until a few decades ago. In almost all companies, these structures have been dismantled and replaced by 'national' lines of business.

All of this is a long way of saying that the governance and management of the hugely important national cricket business must not be compromised by arrangements that were logical in years past when State cricket was financially viable. The 'federal' structure should not control cricket's governance given where cricket's economics have moved.

The uniqueness of cricket: The other issue that we heard in our interviews is that "cricket is unique" and therefore the practices of other industries are not relevant. We disagree. The governance structures that we have outlined have served organizations across all industries and sectors, including sport. We note that in the AFL, for example, there is no enthusiasm among the clubs to return to the past when conflicts of interest around the Board table were normal. And cricket's attributes – the importance of grass-roots participation, of volunteers, of talent identification and pathways, and high performance team management – are not unique to cricket. They are true of all sports.

The best safeguard for cricket's future will be to appoint a Board of highly capable persons who share a deep love for the game, who are free to appoint and oversee
an equally capable management team and who are empowered to make the best
decisions. In this sense, the governance structure is neutral to the industry itself.
The structure we propose is mainly designed to attract very good people, clarify roles
and responsibilities, and eradicate systemic conflict of interest. These attributes will
help cricket too.

Other issues raised during our review involve matters of scope. There will be issues
that some will wish we had addressed in this report but which we believe are better
left to a new Board to address. One concerns 'private ownership' of the new cricket
franchises. Another is to do with the 'management relationship' between CA and the
State organizations.

Our opinions on 'private ownership' are outside the formal scope of our work. But in
the interviews, we were constantly told about how the decision process in respect to
the Big Bash League and the sharing of the revenues relating thereto was chaotic,
self-interested and even seriously flawed. Blame for this state of affairs was directed
at any or all of CA management, the CA Board and the States themselves. What is
clear to us is that there is no agreement about whether private ownership is the right
strategy and, even if it is, how it should be structured and who should get the money.

We encourage the existing CA Board to make as few commitments here as is now
possible with a view to leaving decisions to the new CA Board. Private ownership
will profoundly influence the governance of Australian cricket and maximum freedom
should be left to the new Board to form its position.

The other constant theme in our interviews was the disagreement between States
and CA over 'who does what'? Many at the State level view CA as "centralist" and
"controlling" and unable to fully "understand what is needed at the local level".

These are themes that exist in all major organizations where there is inevitable
tension between local initiative and national scale. But the issue is more pressing in
cricket. As the Argus review has forcefully pointed out, collaboration between CA
and the States is absolutely necessary and this is difficult because all of the States
and CA are independent organizations. Collaboration across silos is seen as an
attractive but difficult objective inside even the one large organization where, if
goodwill fails, the CEO can bang heads together. In cricket, with its separate State
organizations, there is no one person who can bang heads together. It will require a
lot of goodwill.

We see a major role for the Chairman of CA as being to nurture collaborative
relationships with the State organizations. We also see the availability of funding
(which primarily derives from the national team) as both 'carrot and stick' that can be
used to enforce levels of collaboration where these are most necessary. We see a
major role for a 'shared services' unit because wasteful duplication across State
organizations must be avoided. There is no need for seven or eight accounting
groups, separate negotiations with suppliers and the like.

We admit to some concern too about the current strategy which sees CA employing
its own field staff around the States to deliver In2Cricket. We understand why this
was done but it may take the cricket system down a path that leads to more
duplication and possible conflict. There is, we agree, a need for consistency in
approach across Australia and national scale in sponsorships (etc). But, at this
point, we would probably argue that the preferred CA role should be to build
agreement with the States about the program and then contract out the delivery of
the program to the States with funding tied to specific performance outcomes.

In the longer term, we can see some of these issues going away. As is happening in
some other sports, the independent state administrators are voluntarily giving up
their independence and becoming part of the national body. The economics drive
this but it also brings wider career paths and staff mobility, more national
sponsorships and better efficiencies. This is a topic for another day, but in the
meantime, all parties in the cricket system should work very hard to avoid wasteful
duplication. The reward systems at both CA and the States should reinforce
collaboration and 'empire builders' should be discouraged.

* * * * *
In conclusion, we offer the following comment. Over the past decade or so, most organizations – corporate and not-for-profit - have had to clean up their governance structures. Some have been slow to do so, particularly where the success of the underlying business has made it seem unnecessary to act. This is arguably cricket's case. The Australian team has been the best in the world for several decades which has made the case for change seem less than necessary.

A good governance structure doesn't guarantee success because there are too many other factors involved - such as the strength of the competitors. But a poor governance structure will greatly diminish the prospects of success because it wastes energy, allocates resources to the wrong places and creates the wrong incentives and conflict. Cricket's governance structures may have served cricket well for much of the past 100 years, but they are under increasing stress. It is time to make a change.

We have welcomed the opportunity to carry out this review. We have appreciated the interest and hospitality of everyone we have interviewed. We know that all of cricket's leaders are completely committed to the game regardless of whether or not they see the need for change. For ourselves, we are very mindful of the iconic place that cricket has in our national culture and our commitment is to offer recommendations that will strengthen this position.

We will be pleased to discuss or enlarge on any of the recommendations in this report

David A Crawford AO

Colin B Carter OAM

December 2011
SUMMARY OF RECOMMENDATIONS

1. That CA adopt the governance structure now widely regarded as 'best practice'.

2. That the States be acknowledged as the shareholders with responsibility as custodians for cricket in their own State and throughout Australia.

3. That the States be responsible for the appointment of Directors to the CA Board. These appointments to follow a unanimous recommendation of a Nominating Committee and require a two-thirds vote among the States.

4. That the States retain the right to dismiss any, or all, of the CA Directors based on a two-thirds vote.

5. That the CA Board must refer to the States for approval only those matters that involve a fundamental change to the structure of cricket, such as the addition of new teams and competition formats. A two-thirds vote be required to approve such a change.

6. That the CA Board be reformed with a maximum of nine non-executive Directors.

7. That no Director of CA can, at the same time, hold office in any State administration (or other related entity such as a Big Bash venture).

8. That Directors not be appointed by individual States, but rather that candidates be voted on collectively by all States and only candidates who have the support of at least two-thirds of States be appointed to the CA Board.

9. That CA adopts the practice of appointing a "skills based" Board and that a nomination process be established as follows:
A Nomination Committee be formed each year that consists of four persons – two State Presidents plus the Chairman of CA and one other CA Director nominated by the Board. The States would have to agree and choose the two State Presidents to represent them in this work.

The Nomination Committee would start with an assessment of the Board’s needs and then canvass suggestions as to future Board members may commission a firm of specialists to ensure that the search looks beyond the usual pool of candidates.

The Nomination Committee would then reach unanimous agreement about which candidate would be put to the shareholders for approval.

Any nomination to the CA Board would then have to receive support from at least two-thirds of the State's shareholders.

10. That the States agree to a common shareholding of two shares each in CA.

11. That the CA committee structures be reviewed with the intention of closing down most of them as Board committees.

12. That Board members be encouraged to participate in management committees where the Director has particular expertise and where the CEO wishes them to participate.

13. That the CEO of CA be appointed to the CA Board as an Executive Director.

14. That the CA Board adopt a regular review of Board and individual Director performance.

15. That the CA Board be responsible for the allocation of financial resources in accordance with the strategy approved by the Board, taking into account the viability of the State operations and existing stadium commitments.
16. That transitional arrangements to implement these recommendations be adopted as follows:

- That an Interim Nomination Committee be formed to search for suitable Board candidates – and that this Interim Committee consist of the current CA Chairman, two State Presidents and two very experienced company Directors who have no current roles in cricket and who will not be candidates for the new Board. One of these two should chair this Interim Nomination Committee.

- That this Interim Nomination Committee identify and agree preferred candidates to the new CA Board with a view to presenting these names to the States for their endorsement by the middle of 2012.

- That the new CA Board includes several members – we suggest around three or four - from the existing Board to ensure that there is some carry over of knowledge at Board level

- That the Interim Nomination Committee take into account that the new Board will need to elect a Chairman from its membership.

- That the new Board be ready to be installed by 30 June, 2012 (in seven months time)

- That Board members be appointed for three years with one-third retiring each year. As a transitional arrangement, one-third of the Board members appointed in June 2012, to retire at the end of years one and two following their appointment.

17. That the Memorandum of Association and the Constitution and By-Laws of CA be amended to give effect to the above recommendations.
PROJECT SCOPE

The purpose of this project has been to review Australian cricket's governance structure. The intention stated in the Terms of Reference is to "ensure Australian cricket and in particular Cricket Australia and its constituent State members have a governance structure to create an environment for correct and efficient decision-making so that Australian cricket maximizes its ability to administer the game of cricket in the best interests of all its stakeholders."

The following specific matters were identified in the Terms of Reference to be reviewed although the project was given the freedom to address any matters that pertained to the governance structure that would best serve Australian cricket:

1. "The Memorandum of Association and the Constitution and By-Laws of Cricket Australia to ensure Australian cricket has a decision-making process and lines of authority/decision-making to enable Australian cricket to obtain the maximum benefit to cricket and all its stakeholders."

2. "The composition of the Cricket Australia Board and the process of election of members of the Board so that the Board can act in the best interests of Australian cricket whilst at all time being conscious of the need to protect the interests of the members of Cricket Australia (is the State Cricket Associations) and other relevant stakeholders."

3. "The roles and responsibilities of Cricket Australia, its Board, CEO and Management and the role and responsibilities of the member States in Australian cricket."

ATTACHMENT B
## CA Board Skill & Diversity Profile

<table>
<thead>
<tr>
<th>Desirable Board Attribute</th>
<th>Assessment</th>
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<tr>
<td>Professional Expertise in</td>
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<tr>
<td>- Finance</td>
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<tr>
<td>- Marketing</td>
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<td>- Legal</td>
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<td>Experience as a CEO</td>
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<td>Senior Executive experience in organizations larger than CA</td>
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<td>Understands media rights and how valued</td>
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<td>Elite cricket experience</td>
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<td>Understands grass roots cricket</td>
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