



MOTORSPORT SOUTH AFRICA NPC

Reg. No 1995/005605/08

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MSA CHAIRMAN'S REPORT FOR THE AGM TO BE HELD ON 30 JULY 2019

This report will deal with the following matters:

1. Composition of the Board
2. Motorsport Commissions
3. Categories of Motorsport
4. The seven groupings identified in the Motorsport industry.
5. Operational Review
6. Strategic Intent
7. MSA'S Challenges
8. Insurance claims experience
9. The MOI
10. Financial performance
11. Conclusion

MOTORSPORT SOUTH AFRICA IS THE ONLY RECOGNISED MOTORSPORT FEDERATION IN SOUTH AFRICA



sport & recreation
Department:
Sport and Recreation South Africa
REPUBLIC OF SOUTH AFRICA

Directors: A. Roux (Chairman), A. Scholtz (Chief Executive Officer), A. Taylor (Financial), F. Alibhai, D. Easom, G. Hall, A. Harri, E. Murray, M. Rowe, R. Schilling, Ms M. Spurr, S. Themba, S. Van der Merwe

1. Composition of the Board

Since the 2018 AGM, the following board members represented the company:

CAPACITY	NAME	SURNAME	DATE ELECTED	DATE APPOINTED
Chairman	Anton	Roux		05-03-2019
Chief Executive Officer	Adrian	Scholtz		13-08-2014
Financial Director	Anthony	Taylor		30-08-2017
Board Member	Fayaaz	Alibhai	25-09-2018	
Board Member	Des	Easom	30-08-2017	
Board Member	Glyn	Hall	30-08-2017	
Board Member	Ashwin	Harri	25-09-2016	
Board Member	Ed	Murray	30-08-2017	
Board Member	Mike	Rowe	30-08-2017	
Board Member	Richard	Schilling		30-08-2017
Board Member	Melanie	Spurr	25-09-2016	
Board Member	Sifiso	Themba	25-09-2018	
Board Member	Sarel	Van der Merwe	30-08-2017	

2. Motorsport Commissions / Steering Committees / Panels

The following individuals were the Commission Presidents and/or Steering Committee Chairmen for the year under review:

Name	Commission / Steering Committee
PADDY VENSKE	CIRCUIT MOTORCYCLE
BRENDAN SMITH	HISTORIC RACING
DICK SHUTTLE	KARTING
IAIN PEPPER	MOTOCROSS
RICKUS FOURIE	RALLYING
WALLY PAPPAS	DRAG RACING & DRIFTING
SPARKY BRIGHT	SAFETY
DR DERICK DE BEER	MEDICAL
MARIUS MATTHEE	ENVIRONMENTAL

The MSA Board would like to express its appreciation to all members of its various volunteer structures, venue operators, race officials, marshals, scrutineers, safety officers and medical crews for their time, efforts and dedication to the sport. Without all of these volunteers the sport would simply not be able to function, let alone flourish. In addition, each one of the employees of MSA needs to be thanked for their contribution.

3. Categories of Motorsport

MSA is responsible for following categories of motorsport within South Africa.

- Motorcycle Circuit Racing
- Motocross
- Cross Country/Off Road & Enduro Motorcycles
- Karting
- Car Circuit Racing
- Rallying
- Cross Country Cars
- Drifting
- Drag Racing
- X-Track Racing
- Spinning
- Oval Racing

4. The seven groupings identified in the Motorsport industry

(Source: Judy Maharaj; unpublished MBA thesis 2019)

- a. Investors – consists of original car manufacturers, motorcycle importers (OEM's), venue owners, participants (racing drivers and riders, the sportsmen and women), commercial clients and high net-worth Individuals that provide capital investment, supply of cars, engines, parts and accessories, and brand association.
- b. SMME's – Provision of motorsport services to racing teams and investors (corporates and high net-worth individuals). Services include race car

engineering and technical preparation, championship race event management and sponsorship management together with implementation. Racing Team members (workforce) - Race crews that are employed by the SMME's (mechanics, technicians, managers, cleaners).

- c. Specialist services such as engine developments, dyno tuning, welding, production of specialized parts and services.
- d. Suppliers including racing venues, tyre specialists, suppliers of parts, accessories, gas, fuel and lubricants.
- e. Governing body – MSA and appointed race officials. The organisation is a non-profit organisation that serves as the governing and regulating body of Motorsport in South Africa. Core function is control and administration of the sport. South Africa is one of only a few countries responsible for the control of both car and motorcycle sporting events, with most other countries having separate governing bodies for the two disciplines.
- f. Media – TV Production crew, photographers, journalists and broadcasting entities.
- g. Various Clubs. Clubs are essential in aligning the interests of like-minded competitors and to arrange events.
- h. End consumer- commercial clients, participants and spectators.

It is important to note that the industry is more than just competitors and that participants form part of the investors and end consumer group. In Motorsport participants have to pay for a ride, therefore need to invest. All suppliers are dependent on the Investors and the SMME's providing specialized services. The governing body and the media serve as enablers in growing the sport.

5. Operational Review

Number of events sanctioned by MSA in 2018: **448**

Number of MSA competition license holders in 2018 - **6657 Annual & 2160 One Event - Total = 8817**

MSA permanent staffing: **12 (10 x Head Office, 1 x Cape Town, 1 x Durban) and 1 x Intern at the Constantia offices.**

6. Strategic Intent

The MSA Board of Directors met during 2018 and, during a facilitation process, agreed on a 2023 vision for Motorsport in South Africa. MSA will focus on the following aspects over the next 4 years:

a) How can we help you?

Under this heading, MSA will focus on improving the support function that it provides to all stakeholders in the Motorsport eco-system and attempt to educate them on the role of MSA and provide role clarity to stakeholders.

b) Transformation

While we are encouraged by the transformation initiatives and greater participation by individuals of colour, we shall strive to achieve a result that better represents the demographics of our country. This is most certainly not limited to only competitors but will include all organisations in the value chain referred to above as well as MSA's volunteer structures (at regional and national level), officials, technicians, teams and marshals.

c) Industry Support

Continuous focus on improving all facilities. In addition, we need to maintain a stable platform for all stakeholders to succeed. We need to get manufacturers involved and provide value to and for our sponsors.

d) Become the "Go to" federation

Improved interaction with international regulatory bodies and government and assist with the training of officials and administrators. We are also expanding our support to clubs that are struggling with their own administration.

7. MSA Challenges

The MSA board is grappling with a number of issues that need serious attention. The list below is not an exhaustive list, but it will provide members with some background as to challenges facing our sport:

- a) There is a steady reduction in the number of competition licenses being issued across virtually all categories of racing. This needs to be analysed and understood in more detail.
- b) The functioning of clubs, associations, commissions and regional committees has become close to dysfunctional in some instances. This places an additional burden on the employees within MSA. Combining this with a volunteer network of officials and marshals is becoming a huge challenge.
- c) The Memorandum of Incorporation (MOI) needs to be updated for the future. **Please note item 9 below.**
- d) MSA has had a number of very bad “insurance claim” years. This should be studied in detail to establish if there are common causes for the high claims and what risk mitigation plans can be put in place. **Please refer to item 8 below.**
- e) Far too much time, effort and money is being spent on unnecessary and unproductive legal matters. Such time, effort and money spent on these legal challenges can be much better utilised to improve the sport.
- f) The annual determination of license and all other fees need to be re-visited to ensure that there is a greater relationship between where cost and effort is being incurred vs. the license fees payable by that category of sport.
- g) A tremendous amount of time and effort is spent on managing member queries and social media.
- h) The data base of members can be improved to become a fully integrated customer relationship management system.
- i) MSA has excellent staff and is very well managed; however, they are under resourced to cope with the challenges noted above. The Sports Manager role needs to be replaced as a priority.

- j) Transformation needs serious attention and focus to be effectively implemented.
- k) The board members need to understand and adhere to their fiduciary duties in terms of King 4.
- l) We have an ageing population of racing officials and marshals and we need to attract more individuals into becoming officials in the sport.
- m) Role of Promoters:

Promoters are the “business component” of arranging an event or a series of events. They determine the overall strategy, manage the finances and the rules and regulations of the event(s) that is being organised. Part of their duties are to promote the event(s) on the one hand, while at the same time get the participants to participate in an event(s). Normally the entry fees paid by the participants are paid to the promoter and the promoter will then incur all the expenses of running the event. The promoter will secure the event venue, apply for the necessary permissions from MSA and local authorities/landowners, regulate the event and pay for the officials to officiate at the event. Being a promoter is a commercial enterprise and the profits or losses made by the promoter are for the promoter’s own account. A promoter will also attempt to obtain sponsorship for the event(s) and the sponsorship revenue will be retained by the promoter to defray some of the expenditure incurred to reduce the entry fees of the participants. A circuit / venue owner or a club may also be a promoter.

A promoter will generally work in conjunction with a number of other parties to host an event and the other parties may be a municipality / local government / provincial government / national government / venue owner / an international championship promoter and/or a series promoter.

MSA as the licencing grantor to an event(s) cannot act as a promoter. However, MSA will provide the promoter with support during the process of establishing an event or racing series.

MSA’s challenge, and a major challenge facing the sport, is that a greater number of successful promoters (event organisers) are needed to sustain the sport into the future.

8. Competitor & Officials Personal Accident Insurance Overview for 2018

Premiums collected - R 4,483,525 (Incl. VAT)

Claims paid - R 5,566,170 (Incl. VAT)

9. The MOI

MSA's Memorandum of Incorporation requires significant updating to properly cater for the new reality in which both the company and sport are operating. Some of the items needing to be reviewed include the following:

- a) The structure and composition of the board needs to be re-visited, taking into account the transformation imperative.
- b) MSA Commissions and Regional Committees need to be re-visited the current structures sometimes not being optimal
- c) The role of clubs and the criteria for membership of MSA need to be re-visited.
- d) The MoI needs to better clarify the extent to which MSA directors can be held to account for the actions or omissions of the MSA member bodies with which they are associated.

10. Financial Review

The report of the company's Financial Director, Anthony Taylor, is included in a separate document to be tabled at the AGM.

11. Conclusion

In the short time that I have been appointed as Chairman, I would like to thank all the members that have reached out to provide opinions and support. I truly appreciate it and value all your opinions. Motorsport is a sport, but it is based upon science, technology, engineering and mathematics (STEM). We all need to educate the wider population on the job creation opportunities within the motorsport industry by using the STEM principles.

Our challenges are not insurmountable, and I do foresee a lot of success in the future.

Anton Roux

23 July 2019