

Talaria Ski Club Inc.

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MEMORANDUM TO MEMBERS ON BACKGROUND TO RULE CHANGES 2015

A number of the rule changes proposed for voting at the Special General Meeting of 23 April 2015 are concerned with the ending of debentures from the club's accounts, and the conversion of debenture membership to be the same as membership based on having paid a non-refundable joining fee.

It would be understandable that long-term members who had paid a debenture and expected to ultimately have this returned to them when they left the club, might feel disenfranchised to have the debenture value eliminated as it were by a few simple rule changes. So the purpose of this memorandum is to explain more fully the background to this, and why it is necessary to do this.

Founding club members invested in Talaria by their efforts in building the club and in contributing funds to pay for the materials to build the club. In return, debentures were issued on the basis that when members retire from the club they would receive back 85% of the debenture value, which would be funded by new members coming into the club. At some stage indexation of the debenture values was introduced and so the book value of debentures grew over time. For a period spanning over two decades this system was effective and the club membership was fully subscribed. During this period when members retired there were others who were ready to take their place and pay the debenture value to join Talaria. There was effectively a market for the debentures in the club.

After many years of great skiing at Ben Lomond, circumstances began to change. Reductions in the cost of air travel between Tasmania and the mainland made other ski areas more accessible, and at the same time, climate change has had the effect of significantly reducing the reliability and the extent of the ski season at Ben Lomond. Whereas in the early 70's in winter there was an Austrian ski instructor contingent of around 15-20 staff, we are lucky today to have a few instructors or snow to ski on.

Since around 2000 it has proved difficult to recruit new members to the club and overall membership has been in decline. In 2002 the debenture system was ended for new members and a non-refundable joining fee was introduced; initially \$600, and increased to \$675 in 2011. However, the numbers of new candidates has been very low in recent years and in response to this the executive has now reduced the joining fee to \$100 single, or \$200 family. Table 1, following, shows the membership figures and changes in them between 2000 and 2014.

End of Year	Changes (adults)			End of year numbers		
	New Candidates	Candidate to Member	Members Retiring	Members	Candidates	Juniors
2000				90	26	9
2001	12	2	5	91	24	12
2002	4	7	6	91	24	12
2003	0	4	5	90	13	19
2004	0	6	5	91	8	21
2005	5	3	5	89	9	24
2006	1	0	0	89	9	24
2007	1	5	1	93	5	32
2008	4	0	7	86	7	30
2009	0	1	0	87	6	28
2010	0	1	7	81	5	28
2011	0	0	3	78	3	28
2012	0	0	3	75	2	26
2013	0	0	2	73	2	25
2014	0	0	10	63	2	27
Totals	27	29	59			

Table 1 - Membership changes 2001 - 2014

As can be readily seen from the figures in Table 1, the numbers of new candidates, and the completion of candidatures has been minimal in recent years, whilst the loss of members through retirement has been increasing.

Turning to the business of debenture refunds, it had been envisaged from the start that debenture refunds would be paid out of debenture funds paid by incoming members, with the making of any refund at all subject to the discretion of the executive committee with regard to the financial position of the club.

Table 2 shows the current debenture book values, including those of current members and those of retired members whose debenture values have been converted to residual refundable values. The residual refundable values are after deduction of 15% retention, any overdue subscription amount, and then any donated amount. Historically to date after these deductions, the residual value has been around 50% of the prior book value. If this same ratio was used to predict future conversion to refundable residual amount, we could expect that over the next 15 years, if 100% of the debenture holding current members retired, the residual refundable debenture amount would be in the order of \$48,000.

Debenture holder group	No.	100% Debenture book value	Balance after deductions
Current Members	41	\$ 48,472	\$ 24,236
Current Juniors	2	\$ 332	\$ 282
Retired Members	50	\$ 45,218	\$ 23,275
Retired Juniors	2	\$ -	\$ -
Total residual	95	\$ 94,022	\$ 47,793

Table 2 - Debenture values

If we make the assumption that we will manage to replace the remaining 41 debenture-holding adult members over this period with new club members, at the current joining fee this would bring in \$4,100 available for distribution amongst the total of 95 retired debenture-holding members. Even assuming that say 50% have made a 100% donation of their residual, then the number of ex-members awaiting refunds would be approximately 74.

So, after 15 years the list of ex-debenture-holding members awaiting refunds will number some 74 people, and there will be enough funds to have paid them \$55 each. The majority of the 'debt' would still be unpaid, and at the same rate of new membership uptake it would take another 160 years to clear it.

Clearly this is simply not going to work! Other considerations include:

- How do you make fair distribution of tiny amounts of money to a large number of people. Do we annually make a payment of \$1.50 to each person, or do we save it up and make a larger payment of say \$15 every 10 years?
- Consider the work involved for the Treasurer in maintain fair and accurate records of these transactions (as has occurred to date, wasting considerable effort)
- Is it fair in any case to those that would and have donated 100% of their debenture, that others hold out to get what they can back?

Altogether, the difficulty surrounding the existence of the debentures and the infeasibility of ever repaying them has been a problem that has existed too long. It is the view of the Treasurer that the time has come to end this difficulty and this is the reason that the changes have been proposed now.

In doing this I am encouraged by the fact that many members have expressed the view that they have got many happy memories and good value over the years from their membership in Talaria and they are unconcerned about the debentures and either have been, or would be very happy to donate them to the club. I trust that this spirit is reflected in the majority of current members, and they will be understanding and supportive of the proposed rule changes to eliminate debentures at this time.

Gordon Clarke

Honorary Treasurer
Talaria Ski Club