International Golf Management a step behind the times, founder says

By MARK LESLIE

Great idea — wrong time.

That was the story with International Golf Management, Inc. and its Partners Clubs concept, according to former IGM senior vice president John T. Killip.

"We missed the window by about a year," Killip said of IGM's plan to build a network of a dozen "ultra-prestige" facilities containing conference centers and golf courses at major U.S. cities.

"We went out with our first major financing exactly two weeks before [Saddam] Hussein went into Kuwait [July 1991]. The financial markets just weren't right.

"For something of that magnitude, there was no way we were going to get it financed."

Yet, Killip said the concept "is still a good idea," especially in light of proposed new tax laws.

The exclusive, non-discriminatory Partners Clubs were going to answer the need of business executives, providing "luxurious and exclusive settings for social, recreational and business events."

"The tax laws coming into place are supporting that concept all the way across the board," he said.

New regulations would make it less rewarding for a not-for-profit club to host outside business groups.

Although Killip said he does not know when or if the Partner Club concept will be resurrected, he added: "It's [opportunity] always been there. But now, with the focus on using not-for-profit clubs for business purposes, businesses are going to have to go to for-profit clubs if they want to entertain. So it's a fundamentally sound concept."

It seemed so sound in the spring of 1990 that golf pro Tom Watson, former NCR Corp. President William S. Anderson and former United States Golf Association President Frank "Sandy" Tatum joined the board of directors, and IGM founder William S. Deaknye recruited a *Who's Who*-magnitude group of businessmen and other experts to make it work.

The bad timing, however, was best spoken to by one executive Killip approached in January 1992. Killip said the man told him: "If it were a no-cost situation we still wouldn't do it.

"It's just such a high-profile operation that when I'm laying off 9,500 people, my stockholders would kill me."

Tax laws

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money — like outside catering — is going to far exceed what they have to pay in taxes."

Driggs said CMAA membership has traditionally been 60 percent not-for-profit clubs and 40 percent for-profit.

"We're seeing that rapidly change. It will reach the 50-50 mark sometime soon," she said.

Two proposed tax measures in President Bill Clinton's tax plan take aim at private membership clubs, said Jim Rizzo, CMAA's manager of legislative and regulatory resources and manager of club services. One regards club dues; the other, business meals.

"First, no deduction will be allowed for amounts paid or incurred for membership in any club organized for business, pleasure, recreation or other social purpose," Rizzo said. Until now, private club members have been allowed to deduct 50 percent of their dues in their income tax statements.

This would affect city clubs "much, much more than country clubs," Rizzo said.

Second is a deduction in the business meal expense — from 80 percent to 50 percent.

"That affects more than just clubs," Rizzo said.

"It affects every restaurant, every hotel."

These changes appear imminent, he said, because other legislation is being written that proposes using revenues from these disallowances.

"I don't know about the tax angle, but clubs are looking for different sources of income," Hughes said.

"It's hard to maintain your not-for-profit status when you're doing different activities and opening up your club to other sources of revenue."

The NGCOA, which consists of privately owned public golf facilities, has grown five-fold in the last three years — from 270 to 1,200 member courses.

"The phenomenon that has driven our [NGCOA] expansion is that all golf courses need to be operated more efficiently and managed better to have favorable financial outcomes," Hughes said.