

2003 State-of-the-Sport Report

Presented To
USA Swimming House of Delegates
San Diego, California - September 13, 2003

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I. INTRODUCTION

We are not without our challenges and our problems, but the overall state of our sport is exceptionally strong. 2003 has been -- and continues to be -- a year in which we have overcome significant obstacles and reached exciting new heights. And 2004 has the potential to be a simply magnificent year, one in which our sport will take center stage. It is with great pride in our past and with great anticipation for the future that I am now pleased to report to you on the 2003 State of the Sport.

We exist in an ever-evolving and dynamic marketplace. Fortunately, USA Swimming is grounded with a core set of cultural values, philosophical beliefs and programming priorities that serve as the touchstones to guide us confidently through whatever troubled waters we face as we continue toward our destination. Our destination may not always appear as a precise point on a map of the future, but it is a target that envelops the ongoing health and well-being of our sport. Our footing is cemented to a baseline that allows us to address issues,

overcome obstacles and seize opportunities in a manner that our fellow Olympic sports envy. Consider these six elements, which currently exist as the foundation and fabric of USA Swimming:

1. We have a reputation for excellence.

There are few things harder to come by -- and more important to protect -- than a good reputation. Within the Olympic family, USA Swimming is seen as the model national governing body. Whether the measurement is athlete performance, coaching expertise, business acumen, information technology, market positioning, member services, political influence or sports science, we are viewed as a sport that clearly has its act together. We have proven ourselves to be competent in virtually every aspect of our business, and this includes the quality and skill level of our most important resource ... our people; be they athletes, coaches, officials, staff or volunteers. Our athletes are high performers, our coaches are the among the world's best teachers and motivators, our officials are the world's best educated and trained, our staff focuses on execution and results, and our volunteers are always there to help. We have high expectations for ourselves, and we hold each other accountable. Other organizations measure their own progress against the high standards set by USA Swimming, and we accept this as inspiration to keep striving for even higher levels of excellence.

2. We are financially healthy.

We have dependable revenue streams, strong financial controls and an impressive portfolio of assets. The dues increase approved at last year's convention will go into effect with the coming membership year, creating the opportunity to fund many new programs and services. We are also preparing to establish a new USA Swimming Foundation that will have the sole purpose of raising incremental funds to provide support to existing and new programs. We see this as an untapped area for new fund development, and I will speak more about this later in my report. Just as we have had in past years, two audits of USA Swimming were conducted this year, one by the U.S. Olympic Committee and the second by an outside independent firm. In both instances the reports were glowing, confirming the thoroughness of our financial management controls and recordkeeping. Included among our assets is the United States Sports Insurance Corporation, our captive subsidiary. At a time when other sports are struggling with out-of-control premium costs, USA Swimming is actually receiving rebates as a result of a strong safety record, which in very large part is the result of the foresight and professional risk management of our insurance company and its board leadership.

3. We have champion athletes on top of the world and in the pipeline.

The split-second differences between winning a race and finishing second or third encourages a competitive environment that demands a constant drive for

performance improvement. The perpetual internal competition that our athletes face forges a culture steeped in personal accountability, hard work and results. At the National Team level we are blessed with a special blend of experienced veterans who are still at the top of their game, coupled with the emergence of bright young faces. The talent pool is deep, and the competition at next July's U.S. Olympic Team Trials is going to be extraordinary. Especially noteworthy is the quality of our athlete population as gauged by the substance of their personal characteristics. Stated simply, the overwhelming majority of our athletes are good people and a tremendous credit to their parents, their coaches and our sport.

4. The infrastructure of our sport runs deep and wide.

Within the realm of Olympic sports, our sheer numbers are impressive: nearly 300,000 members, which includes 10,000 coaches; more than 7,000 sanctioned swim meets per year; a long list of member programs and services; an incredibly committed army of officials and volunteers; in sum, a national network and support system that ensures swimming remains healthy and continues to grow. There's a well-worn saying that "the cream will rise to the top," and for the most part, this holds true within our sport's infrastructure. Be it athletes, coaches, officials, meet organizers ... the best usually do rise to the top, and this constant striving for improvement helps to pull the entire system along.

5. We are well positioned and well represented politically.

Our sport generates ambitious achievers, and this has resulted in the placement of swimming people throughout the sports world: on the USOC staff; on specially appointed task forces, committees and commissions; within both our hemispheric and international federations; and within many other related organizations with which we interact. Having people in positions of influence is critical to the ongoing growth and success of swimming. We will continue to cultivate new opportunities and seek out new relationships, all with the intent of promoting our sport and getting other people, groups, companies and organizations associated with and excited about USA Swimming. We should recognize, however, that what is most important is not the number of people that we have in positions of influence, but rather it is the quality of the people that represent us. Poor representation by a single individual can destroy years of good work. Swimming has a great reputation in many important circles, and we must be vigilant to ensure that we continue to put forward our very best people.

6. The prospects for 2004 are outstanding.

The lineup of new club programs, showcase events, promotional happenings and athlete performance expectations for 2004 is absolutely incredible. Through the good work of several task forces, USA Swimming will launch 11 new programs targeted at enhancing services for our member clubs. We will also introduce

several new initiatives to begin attacking facility issues that will lead to increased pool access for our clubs. Additionally, we foresee many unique and high impact marketing and promotional opportunities for our athletes, our events and our sport. All these new efforts are being made possible by the dues increase. We must, however, accept the notion that results will not come overnight, but years from now, I hope we are able to look back at 2004 as the watershed year in which USA Swimming took a leap forward in providing new programs and services to its clubs and found a higher position in the national pecking order of sports. Within the Olympic family, our sport is taking center stage in the media spotlight. And in 2004, from the time of our Olympic Trials in July through the Olympic Games in August, and on through the Short Course World Championships in Indianapolis in October, Swimming has every opportunity to become the hot, hip sport of the year. Our athletes will have the platform to become sports superstars, and we will work to leverage the attention that will be heaped upon swimming in a variety of ways.

II. 2003 HIGHLIGHTS

In some ways, 2003 has been a re-positioning year for USA Swimming. We have a new president, new people involved in committees, new task forces assigned to work on important projects, and we have had to work exceptionally hard to manage our way through a difficult financial environment. The Mutual of

Omaha Duel in the Pool was a noteworthy highlight during the spring season. And as we moved from spring to summer, the work of various task forces began to shed real light on future possibilities. Our efforts to manage financial challenges also began showing results this summer, and we now look to fulfill our promise of having a balanced budget for the quadrennial. The performances of our athletes have certainly been the highlight of the summer, and we now ready ourselves for a great final year to the quad. Here then in David Letterman-style reverse order are what I see as our top 10 highlights of the year.

10. We're managing our way through a difficult financial period, without hurting our programs and services.

Shortly after the 2000 Sydney Olympic Games, we established our four-year business plan for this quadrennial. A number of factors have negatively impacted the financial aspects of this four-year plan, perhaps none more than the fact that our actual funding support from the U.S. Olympic Committee has been more than \$4 million less than we anticipated. Throughout the year, we have sought ways to reduce expenses and realize cost savings, while at the same time look for ways to improve other revenue streams. We have also spent a considerable amount of time re-evaluating our 2004 operating budget and working with our Executive Committee to ensure we accomplish our goal of completing the quad with a balanced budget. I am pleased to report to you that

our goal is now well within our reach, and we have also been able to accomplish this while simultaneously being able to maintain our level of service to our members and clubs. This is exceptionally noteworthy given that 2004 is the Olympic year and the importance of supporting our National Team program is paramount.

9. We're establishing the USA Swimming Foundation and have hired Rowdy Gaines to lead our new fund development initiative.

We have long held the belief that fundraising represented an untapped resource for USA Swimming. We believe that there are individuals, foundations and even corporations that, if properly asked, would contribute to USA Swimming. We are now in the process of setting up the USA Swimming Foundation, which will be a subsidiary entity set up solely for the purpose of raising funds to support ongoing and new programs. We are especially pleased to announce that one of our sports most recognizable faces and public spokespersons -- Rowdy Gaines -- has joined our staff to help lead this new initiative. Rowdy will continue to perform his duties as the "Voice of Swimming" for NBC and ESPN broadcasts, but his new professional mission in life is to help raise funds for USA Swimming. We are excited to have Rowdy on our staff, and the work ethic that helped him achieve fame as a Triple Gold Medalist at the 1984 Los Angeles Olympic Games will no doubt be the underpinning for success in this new area.

8. New spring and summer promotional efforts generated real buzz.

This past spring, we facilitated a national water safety promotion called April Pools Day. Backed by V8 Splash, this promotion resulted in exposure to an estimated 33 million people. As we moved into the summer months, the third season of our original programming series, Splash TV, hit the airwaves. There may not be many of you in the audience today who are regular viewers of Nickelodeon, but there are millions of kids ages 6-12 who watch what has become cable TV's most popular network. Splash TV has found a solid spot on the Nickelodeon broadcast calendar. The program is entirely water-sports-related in theme, and each episode highlights one of our top athletes in an informal and fun way. This type of lifestyle programming is an important part of our overall marketing strategy, and we see our partnership with the Nickelodeon Network continuing to grow in the years ahead.

Also, this summer we successfully piloted a mobile marketing tour to increase our grass roots presence. Hopefully, you followed the progress of the tour on our web site. Staffed by four interns, this pilot effort was a true grassroots initiative, designed to reach 100 pools, water parks, beaches and swim meets. There were on-site games, give-a-ways and an online contest that drew more than 200,000 entries. The many things we learned from this summer's experiences with the mobile marketing tour will help us improve and expand the

initiative for next year, and the response from our sponsors indicates that we will certainly continue the program next summer.

7. ESPN and ESPN2 provided 26 hours of broadcast coverage over 15 days of the FINA World Championships.

We've always struggled with how to present multi-day swimming events on television. Invariably, we end up with a one or two-hour highlight show that features plenty of racing but seldom captures the ebbs and flows of a true championship meet. This is why the recent 26 hours of broadcast time over 15 days on ESPN and ESPN2 for the World Championships is so noteworthy. The coverage really gave a broader audience of viewers the opportunity to watch swimming. Plans are already underway to duplicate this kind of multi-day coverage for the 2004 Short Course World Championships, and you can expect to see at least 16 hours of ESPN coverage from Indianapolis next October 1-5.

6. After two years of steady work, our new database management system has been activated.

Our new Swimming Web-Based Interactive Membership System (SWIMS) was introduced this summer. Nearly two years in development, this project involved taking more than 35 separate databases and bringing the information together into a single database program. USA Swimming made a significant financial commitment to the development of the new membership database system, and

we are now seeing the benefits of this investment. It is also noteworthy that this project required an incredible time commitment from both staff and volunteers. This summer's National Championship meet was huge, with more than 1,500 athletes qualifying. 85% of our teams registered via the online entry system, and this service has made life noticeably easier for our coaches and clubs. For our organization to remain effective and relevant, we must continue to keep pace with technological advances, and the proof of benefits can now be seen in our new membership database program and the online entry system.

5. We launched the Club Development Division.

One of the primary recommendations coming out of the recently completed Governance Study of USA Swimming was the need to focus more attention on our relationship with our clubs. Recognizing that member clubs are the baseline business units that deliver our programs and services and develop young athletes, we restructured the national headquarters and created the Club Development Division. This new Division is on a peer level with our National Team, Business Development and other key operating units. We then hired Pat Hogan, a highly successful club coach with more than 25 years of experience in the field to be the Director for this new Division. In sum, we have put our money and our emphasis behind the commitment to help and support our clubs in becoming stronger and better service providers to our members.

4. Task forces have developed strategies and programs that will direct how we utilize funds from the dues increase, and in particular how we focus more attention on service to our clubs.

Following the passage of the dues increase proposal at last year's convention, our president appointed task forces and individuals to work on developing the strategies, programs and budget allocations for each of the three identified areas: Programs & Services, Facilities, and Marketing & Promotions. The task forces represented a broad cross section of athletes, coaches, club and LSC representatives, and these individuals came from small, medium and large clubs and LSCs. Separate task forces worked on the Program & Services and Facilities segments, while a staff-led group focused on the Marketing & Promotion segment. The staff group was augmented with input from both internal and outside experts who were consulted throughout the process of developing the recommendations for this portion of the overall plan. The task forces put forth incredible efforts, conducted vigorous debates and finally brought their recommendations forward. Task Force recommendations were presented to the USA Swimming Board of Directors and were approved in their entirety. The recommendations were then folded into the budgeting process and are now a part of the proposed operating budget for 2004. Getting to this point required an enormous amount of work by a wide range of people. This was truly an open,

transparent and democratic process and we strictly conformed to the philosophy and planning outline that was part of the actual dues increase proposal approved last year. The House of Delegates will now be asked to endorse the work of these task forces and ratify the approval given by our Board of Directors, by approving the 2004 operating budget. Then the real work begins as we implement these new programs and services. The effort put into this may not be glamorous, but it has proven that if we put faith in each other and ourselves, we can successfully undertake an inclusive planning process that incorporates a wide range of representation and participation. This exercise is clearly one of our highlights of the year because it has shown how our organization can effectively embrace change and step forward into the future with confidence.

3. We created a signature event for our sport with the introduction of the Mutual of Omaha Duel in the Pool.

I've long said we needed to create a "signature event," an event that we would own, and an event that would showcase our sport and our top athletes to the American public in the years between Olympic Games. I believe we did just that with the introduction of the *Mutual of Omaha Duel in the Pool*, which was staged in Indianapolis this past April. The event took place before a sold-out Natatorium and more than two million households watched the three hours of network coverage on NBC. Our sponsors were very pleased and we would now

like to add this event to our stable of ongoing activities. I am proposing that we now stage the *Mutual of Omaha Duel in the Pool* every year except the Olympic year, and I hope that our sport's technical leaders will work with us to accomplish this goal.

2. USA Swimming athletes won 28 medals and set 8 world records at the FINA World Swimming Championships in Barcelona.

The performance of our athletes at the World Championships in Barcelona this past summer was outstanding. Of the 28 medals won by American swimmers, 24 of these were in Olympic events. The icing on the cake was our athletes also setting eight world records; Michael Phelps set five of these records. The others were set by Amanda Beard tying the record in the 200-breaststroke, Ian Crocker in the 100-butterfly and the men's 400-medley relay team of Aaron Peirsol, Brendan Hansen, Ian Crocker and Jason Lezak. Here's a quick look at how the top six countries finished in the medal count:

<u>Country</u>	<u>Gold</u>	<u>Silver</u>	<u>Bronze</u>	<u>Total</u>
USA	11	12	5	28
Australia	6	10	6	22
Germany	5	1	2	8
Great Britain	2	3	3	8
Russia	3	2	2	7

China 3 0 4 7

1. Michael Phelps set 5 world records at the FINA World Swimming Championships.

What can we say ... except WOW! Michael Phelps has gone from being one of only six athletes on the 2000 Olympic Team who did not win a medal to the single most exciting athlete preparing for the Athens Olympic Games. His five world records at the recent World Swimming Championships in Barcelona, along with his eight world record performances through the year, have rightfully made him the most recognizable name for our sport. Swimming is going to dominate the media attention in the first eight days of the Athens Olympic Games, and Michael Phelps may be the single most watched athlete. He has the opportunity to become the face of swimming, and the potential to attract and motivate tens of thousands of boys to become champion swimmers. Michael Phelps' performances this year have unquestionably been the No. 1 highlight not only for USA Swimming, but for all Olympic sports.

III. ROAD SIGNS FOR THE FUTURE

As USA Swimming's executive director, I have two overriding responsibilities. First, I constantly survey the horizon to see what obstacles and opportunities lay ahead, and then determine the best strategies and tactics to cross the hurdles and seize the brass rings of new opportunity. Second, I consistently implore our staff

and others to focus on execution, for it is through competency and execution that we ensure performance results and approach excellence. To this point, my report has focused on the foundation elements and the highlights of USA Swimming's achievements. I now want to share with you what I see when looking down the road toward our future. While many of the following observations may first appear to be obstacles, most are in fact opportunities for us to expand our influence and ensure the ongoing health of our sport. Here then, are five important road signs for the future:

1. We must become as independent and as self-sufficient as possible.

Despite the fact that we are among the most financially healthy of all Olympic sports, we still rely heavily upon the U.S. Olympic Committee for funding support, especially for our National Team program. I do not need to recount for you the travails of the USOC -- and we surely want to see the USOC thrive -- but we would be wise to prepare ourselves for a day when we no longer need USOC funding. The dues increase is a substantial leap forward in our efforts to provide additional programs and services, but none of these funds are being earmarked for the National Team program. We will continue to look to the USOC to support this aspect of our operations, but we must search for other revenue. Among our best chances for finding new revenue is membership growth, and in particular in finding a way to associate USA Swimming with learn-to-swim

programs. Learn-to-swim programs are the mouth of the athlete pipeline. I challenge us to develop strategic alliances with organizations such as Swim America, American Red Cross, YMCA and private swim schools as a means for drawing more kids into competitive swimming. I am not proposing that we compete with existing learn-to-swim providers, rather that we seek a leadership role in forming marketing partnerships with these organizations and then lead the promotional efforts designed to draw more children into the programs. However, this only makes sense if our clubs are ready, willing and able to take on more members. I recognize that some clubs already believe they are operating at full capacity, but most are not. And I would even challenge those that are at full capacity to begin exploring ways to further expand their reach by expanding their access to more pool time.

Conversely, I believe USA Swimming must also protect itself from circumstances that could force us to change our focus and dilute our resources. In particular, I am referring to the stance we have taken in regard to providing programs and services to our disabled athletes. USA Swimming is not the national governing body (NGB) for elite-level disabled swimmers; this role is held by U.S. Paralympics. We will continue to conduct the USA Swimming Disability Championships, and we have offered to make this meet available to the U.S. Paralympics organization as a selection meet for World Championship events

and for the Paralympic Games, but this should not be interpreted to mean that USA Swimming bears the responsibility for selecting, training, funding and sending these teams to international competition. As we are seeing in the current lawsuit filed by several Paralympians, the USOC is currently under a serious threat to provide funding support for Paralympic athletes at a level equal to what is provided to Olympic athletes. USA Swimming's current position on this subject is exactly where it should be, and we will continue to provide the programming that is now part of our ongoing support to this membership group.

2. To achieve maximum influence, we must broaden our market position and seek identification with a larger customer base.

For more than a year now, I have been discussing our need to distinguish between "members" and "customers." Last year we conducted a pilot program to reach summer league swim teams, and frankly, we had limited success. This is a huge audience of potential customers for USA Swimming, but we've found this to be a moving target and one that is difficult to connect with on any sort of permanency. I've already identified the learn-to-swim masses as another audience, and we are now searching for ways to connect with this constituency. Masters swimmers and fitness swimmers offer another target audience of customers. Amid the challenges, we are having some real successes. Splash TV

is finding an audience. The summer-long mobile marketing tour has touched a positive cord with sponsors, and we foresee an expansion of this initiative. Our media partnerships are getting results, and new partnerships are currently being planned and negotiated. Look for us in the year ahead to launch a promotional relationship with a new youth lifestyle program on the Fox Network and with Sports Illustrated for Kids, a magazine that targets youths ages 8 to 17, 70% of whom are boys. All these things are going to help give swimming a “lift” in the marketplace. We are going to continue to explore strategies for reaching these and other groups, but I also extend to everyone listening to this report an invitation to submit ideas and suggestions for how we can do this. We are still in the early stages, and we encourage feedback and suggestions.

3. To achieve sustained excellence, we must maintain a narrow focus and allocate the majority of our resources back against our three core objectives.

I continue to believe that our three core objectives – BUILD, PROMOTE & ACHIEVE – are on target. During the coming year we will begin constructing our business game plan for the 2005-2008 quadrennial, and it is my intention to see that these core objectives remain as the cornerstones of our strategic planning. I do intend to keep pushing for us to find ways to broaden our customer base because I believe that as we reach and influence a larger universe

of people associated with swimming, we will discover new opportunities and enhance our resources. Simultaneously, I am also committed to seeing that we continue to target the vast majority of our resources toward programs, services and initiatives that are most directly tied back to our core objectives. I trust each of you recognize the importance of this balancing act, just as I trust that each of you understand that we will never fully satisfy each and every constituency and special interest group within our sport. So far, I think we're doing a pretty good job of keeping everything in balance, and I'm confident that we can continue to do so in the future.

4. We must promote greater professionalism of our clubs.

The newly created Club Development Division at USA Swimming is a statement of our commitment to address this issue, but the ultimate success in each and every case will be decided at the local level. No matter how good the programs and services are that come from the national headquarters, little will happen unless there is a real motivation and sincere commitment on the part of club leaders and coaches to raise their level of professionalism. It starts with the club's business environment. Is there a long-range business plan? Are there good budgeting processes, reliable revenue sources and good financial controls? Is there money in the bank? Is there sufficient pool time? Is the coaching staff fairly compensated, given professional development opportunities and are they

properly evaluated? Are there good teaching and safety measures in place? Is the overall club environment healthy, positive and forward-looking? Regardless of whether the club is parent-governed or coach-owned, these are just some of the questions that every club should routinely be asking itself. Pat Hogan and his staff are ready to help any club assess their strengths and weaknesses and develop a customized plan for improvement, and I would encourage club leaders and coaches to contact our staff to ask for help.

Likewise, coaches must also accept the responsibility for ensuring their own ongoing professional development. Club coaches serve in an environment that is frequently more isolated than their colleagues who coach in school programs. Club coaches do not always have the advantages of the day-in-and-day-out peer relationships that school coaches have and which can foster the development of a more sophisticated set of financial, interpersonal, public relations and political skills. Of course, there are many club coaches who recognize the importance of these collateral skills and work diligently to grow and develop themselves as professionals. Coaches who ignore the development of collateral skills hold themselves back, or worse, can find themselves in difficult or uncomfortable situations. The very best coaches are those who are able to maintain their focus on teaching, training and motivating athletes while also maintaining positive and professional relationships with all the other people and groups who can impact

them or distract them from doing their job. We all need to make “professionalism” an important part of our personal vocabulary.

5. We must continue to advance ourselves within the international swimming community.

In the opinion of most of the international swimming community, USA Swimming was long viewed as an isolationist organization. We were seen as elitist, arrogant and insensitive to others. Over the past six years, we have made a sustained effort to engage ourselves internationally. We have joined the World Cup circuit, we have hosted clinics and workshops for foreign coaches and officials, we are now active participants in various activities associated with FINA (our international federation) and ASUA (our hemispheric confederation), and next fall we will be hosting the Short Course World Swimming Championships in Indianapolis. While simply being American ensures a chilly reception in many parts of the world, it is important that we continue to make efforts to improve our international political standing. It is important that we have a say and that we are able to help influence international rules, event calendars and other items that impact the way in which our sport is organized and governed. Today we have more USA Swimming representatives in positions of international influence than at any time in our history. The work of our own International Relations Committee has become among the most

invigorating and far-reaching of any of our committees. This work must continue.

IV. CLOSE

In my report to you this year, I have attempted to acknowledge our baseline organizational strengths, provide highlights of our 2003 activities, and identify road signs that hopefully become our guideposts for the future. We are fortunate to have a strong base. It is exciting to know that every year we have new achievements to highlight. And it is simply good planning to identify the challenges and opportunities ahead of us. I believe that in hindsight, 2003 and 2004 will be seen as historic years for USA Swimming, years in which we began the process of backing up our stated commitment to provide better programs and services to our clubs, and years in which our athletes, coaches, officials, staff and volunteers rose to new levels of improvement, excellence and self-sufficiency.

At a time when so many of our nation's organizations struggle with uncertainty, USA Swimming is distinguishable in its clarity of focus. Our mission is forefront, our objectives are concise, and our allocation of resources is properly directed and balanced. We can all be extremely proud of our association with USA Swimming, and it is exciting to know that even better days lie ahead of us.

I thank you for allowing me the opportunity to serve USA Swimming. I would be remiss if I did not also acknowledge the dedicated commitment of our board of directors and our staff. I am especially indebted to the senior staff team at Colorado Springs; these are talented individuals and I have the greatest respect for their service to our sport. I know I speak for each member of our staff when I pledge to you that we will continue to give our very best effort to USA Swimming every day.

Thank you.