The king of clubs

By Paul McLaughlin

Bruce Simmonds is wealthy, powerful, admired and feared. If golf in Canada has a godfather, he's it

Photograhpy: Paul Orenstein

It’s the kind of day that makes diehard golfers drool — sunshine splashing down on the greens untouched by snow — the kind of day you might expect the president and CEO of Canada’s largest owner and operator of golf courses to be sneaking in a late-season game at one of the company’s more than 25 facilities throughout Ontario and Quebec.

However, the only driving that gets Bruce Simmonds of ClubLink Corp. excited this morning is the 90-minute trip from Toronto to Niagara Falls, Ont., in his black BMW. A competent duffer who usually shoots in the 80s, Simmonds likes the game of golf but loves the business of it more.

“This is the most fun part of my job,” says the 49-year-old, explaining he is heading off to scout out the possibility of ClubLink expanding into the Niagara Falls area. The honeymoon capital is aggressively promoting itself as a major casino and golf tourist destination — the Myrtle Beach of the North. “I really enjoy looking at a new market, looking at properties, looking at competitors,” Simmonds adds. “I think I’m pretty good at it.”

It’s unlikely anyone in the territorial ruling class of golf in Canada would dispute Simmonds’ assessment of his business acumen. He is almost universally described as a shrewd, straightforward and successful businessman who has built ClubLink into a powerful force in less than a decade. In most circles that would be high praise. In the Canadian golf world, it’s often a putdown. “He doesn’t pretend to be enamoured of the game,” says Canada’s preeminent golf writer Lorne Rubenstein, articulating a theme that often emerges when the subject of Simmonds comes up. "Golfers and green fees to him are just units." While Rubenstein admires many of his business accomplishments ("he has built some beautiful golf courses and clubhouses") there's little doubt he would prefer the founder of ClubLink to exude more devotion to the sport.

That's not going to transpire. "I am definitely a businessman who happens to be in the golf game," Simmonds says. "I like to play but it's not a passion." To many "traditionalists," as Simmonds describes them, that admission is heresy. For Simmonds, it's the reason ClubLink is so successful. "Too many people in this business are in it for the wrong reason," he says. "They want to make their hobby their work. As a result, many of them don't do very well."

Since founding ClubLink in 1993, Simmonds has tweaked the sun-screened noses of the Canadian golf establishment on everything from the question of whether women's tee times should be restricted at private clubs ("everyone should have equal access") to stuffy dress codes ("almost all clubs have ridiculous rules about the length of your socks. I think the average person knows how to dress") to the lower salaries he pays his golf pros and superintendents ("we have a tendency to bring in young people with a good attitude and support them").

But the issue that has marked him the most is ClubLink's influence on the cost of playing golf. "It has raised the bar on price," says Jeff Calderwood, executive director of the National Golf Course owners Association of Canada. "The golf industry in Canada had been underpriced for some time. Our high-end courses were probably priced at 50% lower than comparable courses in the US. I think [Club-Link] has been good for the industry and good for all of us."

Not all would agree. Simmonds' detractors, who prefer not to go on the record, worry he may be pricing golf beyond the reach of the average person. Golf writer and consultant John Gordon, who respects what Simmonds has accomplished, explains how that concern is often perceived. “ClubLink has raised green fees but it’s also improved clubhouses, course conditioning, management techniques,” he says. “But some other courses now feel they are justified in raising their green fees without making any improvements.”

In 1999, ClubLink stunned the golf community when Simmonds paid the Royal Canadian Golf Association $40 million for Glen Abbey, the Jack Nicklaus-designed public course in Oakville, Ont., and home to many a Canadian Open championship. “No one wanted to believe he would pay that amount of money,” says Gordon. The reaction was even more dramatic when Simmonds upped the daily green and cart fees from about $175 to $250, plus change. “A lot of people started thinking if Bruce can get $250 at Glen Abbey, why can’t we get a hundred, a hundred and a quarter, whether their course was worth that or not.”

The reaction to the Glen Abbey deal, says Simmonds, exemplifies how the golf community applies emotion rather than business sense to developments within the industry. “That was the most misunderstood deal we ever made,” he says. As proof, he notes ClubLink immediately sold off five acres of available land at Glen Abbey for $7.5 million to Delta Hotels and Resorts Ltd., which will construct a 250-room hotel and conference site adjacent to the course. (Eight acres were sold for $2.5 million on which 28 homes are being built.) As for the increased green fees, Simmonds says the course was grossly underpriced for its calibre and reputation. “We make $4.3 million a year at Glen Abbey. It’s the highest first-year return of any acquisition we’ve ever made.”
To the president and CEO of ClubLink, a high rate of return is far more exhilarating than a low golf score. That attitude has made him wealthy, powerful, admired and feared within the industry. In short, if golf in Canada has a godfather, it’s Bruce Simmonds.

The first stop on Simmonds’ crowded Niagara Falls itinerary brings him to a large parcel of open land that could become the home of a 36-hole course and accompanying hotel. It’s about a five-minute drive from the downtown core. The owner of the land, who takes

Simmonds on a tour of the property, is hoping to convince ClubLink to take a 25% to 50% equity interest in the deal. It's the owner's birthday but it doesn't sound like he's going to get the present he wants. "I have a lot of reservations about how many of the people going to the casino are going to also play golf," Simmonds tells the owner after the tour.

Simmonds inherited a lot of his business skills and ethics from his family. His grandfather, Arthur Claude Simmonds, an immigrant from England, was set on a career as a lawyer when he contracted scarlet fever in 1917. Twice on his death-bed, he rallied both times but was left 80% deaf. His disability ended his legal aspirations but led him to a job selling lightbulbs door-to-door for General electric. In a theme Simmonds often cites, his grandfather turned a problem into an opportunity. Before long, he had founded A.C. Simmonds & Sons Ltd., which grew to become the leading distributor of electrical components in Canada.

Bruce's father, Leonard Claude, joined the company during the Depression, and his late uncle, David, about a decade later. One of seven children, Bruce always knew he would follow them into the business. Consequently, he let his father "push" him into becoming a chartered accountant, despite no particular love for accounting. "I like to have a balanced life, with some fun in it," he says, "so I didn't start studying until two weeks before the exams. I went up to our family farm and played nine holes of golf each day to relax." An unorthodox approach, perhaps, but one that gained him a pass on his first attempt.

While waiting to qualify for his CA designation, Simmonds briefly worked at Price Waterhouse and then at Coopers & Lybrand, which was just starting a small business practice. Golf again played a role in his life. In the summer of 1976, Coopers & Lybrand held a mandatory weeklong training course at Trent university in Peterborough, Ont. One of the sessions coincided with a playoff game in Toronto for Simmonds' church baseball team, of which he was the captain. He skipped an evening session to play in the game, which they won, and slept in the next morning, missing another session. The partner who fired him on his return to Trent realized the young accountant wasn't too distraught at losing his job when he ran into Simmonds later that day playing golf with his brother-in-law.

When Simmonds joined the family business as comptroller in 1977, he assumed he was "entering a cushy job in a company that had never lost money except for 1932 and 1933, during the depression." A.C. Simmonds & Sons had grown to $40 million in sales, with 300 employees. It had also become the only manufacturer of CB radios in Canada, a product that experienced explosive growth during the early to mid-'70s. In 1976, however, the market suddenly went sour, thanks primarily to a decision by the US Federal Communications Commission to expand the number of channels to 43 from 23. It made all existing inventory obsolete. "It was a classic government screwup," says Simmonds, as it came at a time when supply had caught up with demand. As a result, Simmonds had to inform his father, who was easing out of his leadership role, that the company had lost money during the first six months of 1977.

For a variety of reasons, Simmonds' father and uncle decided to split their interest in the company, the latter taking one division and leaving two for his father's side of the family. Simmonds was assigned product management responsibility for the firm's oldest and most declining product line, the Mallory Capacitor Co., and its newest, Dynacharge, which made rechargeable batteries. Almost overnight, Simmonds' cushy job became complex and demanding.

He proved to be a quick study. Within four years, Mallory became the company's most profitable division. Dynacharge took off and by the mid-'80s was sold to Duracell for $10 million. "That's where I really cut my entrepreneurial teeth," Simmonds says, "taking Dynacharge from nothing to having 60% of the Canadian market." He also nursed A.C. Simmonds & Sons back to health. It had tumbled to $15 million in annual sales after his father and uncle had divvied up the company. By the time Simmonds sold Dynacharge and another new division, annual sales had jumped to $80 million.

Simmonds never planned to become a powerhouse in Canadian golf. The idea for ClubLink, like his grandfather's lightbulb business, was spawned by adversity. Flush with capital from selling one division and controlling interest in another company, he, his brothers and some friends purchased Cherry Downs — a 225 acre golf course in Pickering, Ont. — for $10.36 million. They wanted the land for its real estate potential, a decision that proved ill-timed as, not long after, the real estate market in the Toronto area took a nosedive. For the next two years, Simmonds, preoccupied with running A.C. Simmonds & Sons, allowed an outside management firm to operate the course. By 1992, with their investment steadily losing money, Simmonds decided to take a direct involvement and see if he could turn Cherry Downs around. "At the time, there was a glut of high-end courses in Toronto," he says. "All were struggling. None were properly capitalized. None had a proper business plan. And that's what we took advantage of."

While on vacation in Florida in November 1992, Simmonds conceived the idea for reciprocal play, which has become the benchmark and the most attractive selling feature of ClubLink's success. "I was trying to come up with ways to market Cherry Downs, to turn it around," he says. "I realized one of the big disadvantages of having a golf club membership was most high-end clubs were inflexible. Once you bought a membership, that's where you would mostly play for the rest of your life." From this eureka moment came the decision to invest in more golf clubs, rather than dump the underachieving Cherry Downs, and allow members access (under certain conditions) to play at all ClubLink facilities. A year later, ClubLink was formed and went public, Simmonds took $60 million (the original group's money plus capital raised from financial institutions) and bought three more clubs. By 1996 ClubLink owned six clubs. As of late 2001, the tally had zoomed to 21 member-fee and six daily-fee clubs in Ontario (mostly in the Toronto area, the Muskokas and Ottawa) and Quebec

(Montreal and Mont Tremblant) as well as one club in Virginia. “We have about $500 million in assets and about 2,700 employees in the summer,” says Simmonds. “Most people think I just play golf all the time, which I don’t. They don’t see that I have to come up with a payroll of about $2 million every two weeks, that it takes a lot to run an operation this size. It’s not all fun and games.”

The truth of that statement can be found in ClubLink’s ongoing struggle to build shareholder confidence. ClubLink, which is listed on the Toronto Stock Exchange, hit a peak of $16 a share in early 1998, but began a quick decline that had it hovering at $5.50 by late 2001. Among the reasons for its downward slide, says Michael Van Aelst, a consumer products analyst with CIBC World Markets in Montreal, was its decision in late 1998 to sell off 20% of the company to Dallas-based golf operator ClubCorp Inc. “That was quite dilutive to the shareholders and dilutive to earnings, given that it was done at no premium,” says Van Aelst. “The earnings haven’t been stellar since.”

Other problems helped keep ClubLink’s earnings stuck in the bunker. Forays into resort development in the Muskokas seemed ill-advised in hindsight, as were several golf investment ventures south of the border. “They had spread their wings a bit too far,” says Van Aelst. “They were trying to grow too fast and didn’t pay enough attention to their core focus.”

To remedy that problem, Simmonds divested ClubLink of its real estate investments and all but one of its US enterprises. “We had made an investment in The Links Group, a company in Myrtle Beach [Va.] that owns 11 golf courses [and is currently under Chapter 11],” Simmonds says. “We still have that investment because we haven’t been able to sell it. That investment was our biggest mistake and we reside with that today.”

According to Van Aelst, exiting these tangential enterprises was a wise decision. “They seem to be making the right moves now,” he says. “They’re starting to rebound.”

Just as ClubLink was returning to its root strengths — buying and operating golf clubs in central Canada — it was hit with an unexpected blow. In September, ClubCorp, faced with financial troubles, sold all but 2% of its shares in ClubLink to Tri-White Corp., controlled by real estate entrepreneur Rai Sahi. With a 25.7% stake and five million shares, Sahi overnight became the largest single shareholder in ClubLink. Sahi has a reputation as an aggressive acquisitor who likes to exert a lean-and-mean approach to running companies. He is also known for increasing his ownership position and, on occasion, taking management control.

Simmonds is aware of Sahi's reputation but chooses to see the new guy on the board as a potential plus rather than a threat. "If at the end of the day [Sahi] will help us enhance shareholder value, which has been lacking in our company for two years now, that can't be anything but positive as long as there's no irreparable damage to our company," he says.

With a recession looming and the after-math of last year's terrorist attacks affecting tourism, the economy may also play a role in ClubLink's future — but not necessarily in a negative way.

Canada is a booming golf mecca, with the highest per capita participation rate in the world. "We run about 20% compared to about 11% in the US," says Stephen Johnston, chair and national director of KPMG's Golf Practice, although he says our "socialistic culture, which allows people on lower income to be able to afford to play golf" helps skew those numbers. Johnston also points out that supply and demand for golf in Canada is far healthier than in the US, where the industry is considered to be in trouble. "We measure a golf course's success in what we call 'optimal number of rounds played,' " he says. "In Canada, on average, mature golf courses run at 95% to 103% of their optimal number. In the US, the range is 70% to 85%, saying mature golf courses there are operating at 85% or below optimal capacity." Consequently, Canada may be spared the serious down turn compared to course owners south of the 49th parallel.

If it isn't spared, a company such as ClubLink could benefit. First, golf participation rates don't tend to decrease during a recession, says Johnston, as long as it is not too prolonged.

"People tend to have more leisure time on their hands," he says. But some do sell their expensive golf memberships, which can work in the favour of a company such as ClubLink. "historically, there was a 6% to 8% change in memberships every year," he says. "But with people living longer and being more active at an older age, that's now down to between 2% and 3%. Since most private companies use member-ship fees to pay for their capital maintenance, an increase in the number of memberships sold can be a real help."

Another possible advantage for ClubLink if the recession does hit is the potential to buy golf courses at fire-rate sales, a practice Simmonds is known to relish.

One of the last stops on Simmonds' excursion is a tour of the Legends on the Niagara, a spanking new 45-hole golf facility owned and operated by the Niagara Parks Commission. As a sign of Simmonds influence in the golfing world, he's met at the club by a small entourage from the self-financed agency of the Ontario Ministry of Tourism, Culture and Recreation, including its chairman, Brian Merrett. "We'd love to have ClubLink involved in golf down here," Merrett says. "It's a first-class operation."

So is the Legends. From its 35,000-sq.-ft. clubhouse to its two 18-hole courses, the sprawling, aesthetic facility located just off the Niagara Parkway exudes care and sophistication. "It doesn't look like a government project," Simmonds says, and he means it to be the highest level of praise. "As a private businessman, I can't compete with a public venture like that."

It's obvious during the drive back to Toronto that Simmonds is not going to take ClubLink into the Niagara Falls region — at least not at this time.

A few weeks later he confirms his decision to pass on Niagara Falls. As with all our conversations, he is friendly and willing to answer the most critical questions about his company with directness. He laughs when told that some consider him the godfather of golf in Canada. It's not a label he thinks he deserves. But if it's true, he'll likely find a way to turn that into an opportunity, and one that makes a profit. After all that's how his family has always played the game.

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