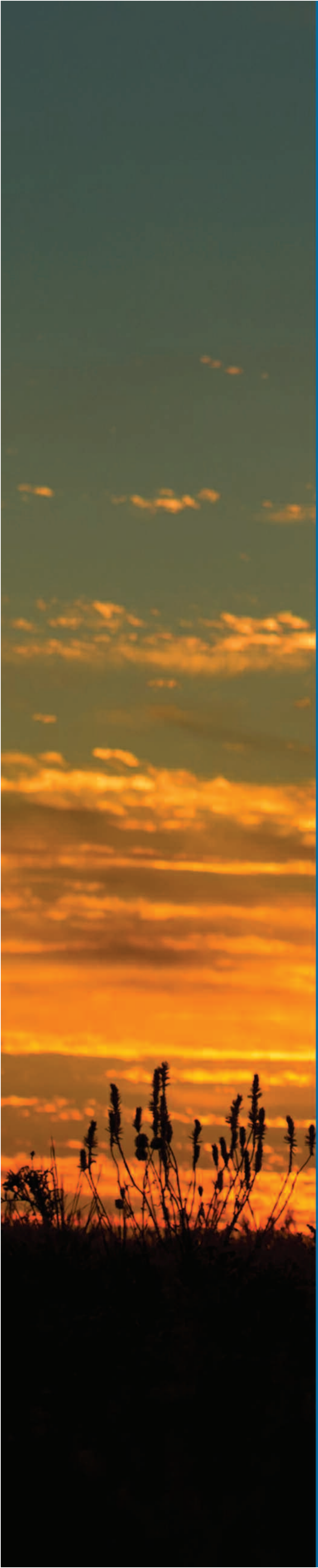
Review of the New Zealand Racing Industry

John Messara AM

31 July 2018



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But it is not today that most concerns us; it is the years ahead… It would not be hard to suggest amelioration of the more important present problems in a present setting… our aim is to lay a basis for future strength.

Sir Thaddeus McCarthy ONZ, KBE
Report of the Royal Commission into Horse Racing, Trotting and Dog Racing in New Zealand, 1970

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PART 3 - CLUBS, RACECOURSES & PRIZEMONEY

DISCLAIMER

This Review has been produced independently by John Messara, with the assistance of colleagues, as requested by the Minister for Racing, the Rt. Hon. Winston Peters. The Review has been prepared to meet the requirements set out by the Minister within the terms of reference.

The information, statements, statistics and commentary (together the 'Information') contained in this Review have been prepared from a combination of publicly available material, data from various stakeholder organisations and from confidential discussions held with industry participants.

This Review has been prepared with the information that was received or obtained, on the basis that such information is accurate and, where it is represented as such, complete. The Information contained in this Review has not been subject to an audit.

31 July 2018

Minister for Racing
Office of Rt. Hon. Winston Peters
7.4 Executive Wing
Parliament Buildings
Wellington 6160
New Zealand

Dear Minister,

I refer to your letter of 10 April 2018 setting out the scope for the high level Review you have commissioned me to conduct on the New Zealand Racing Industry, with a focus on the thoroughbred racing sector.

You have asked me to:

- review the financial viability of the thoroughbred racing Code and how the current industry model supports the long term sustainability of the racing industry in New Zealand
- analyse the current situation, with particular emphasis on the thoroughbred racing Code
- provide high-level recommendations, supported by research, for potential reform, which may include legislative, operational, structural and organisational changes to the New Zealand racing industry

Specifically, you have asked me to consider:

- the Racing Act of 2003
- the Racing Amendment Bill of 2017 currently before parliament
- the New Zealand Racing Board (NZRB) and the racing industry's governance structure
- the future of the TAB

I thank you for the opportunity to undertake this Review.

Over the last 12 weeks I have met with a large number of participants and received submissions from representatives of the three Codes and the NZRB, all of whom have been most collaborative. I visited thoroughbred racing and training facilities in both the North and South Islands and have spoken with leaders of various industry bodies. In addition, I have had assistance from three well-qualified colleagues in providing the research leading to the writing of this report, Messrs John Rouse, Darrell Loewenthal and Craig Nugent; their assistance has been most valuable.

New Zealand has a rich tradition of success as a country of outstanding horsemen and horsewomen and first-class horses. This is exemplified by the presence of 16 New Zealand-bred champions in the Australian Racing Hall of

Fame and the dominance of the New Zealand yearling sales across four decades until the mid-1990s.

However, on any test, the thoroughbred racing industry in New Zealand today is in a state of serious malaise. This is best evidenced by benchmarking the returns to owners in New Zealand against those in a robust jurisdiction nearby, such as New South Wales. Utilising the same methodology as New South Wales, New Zealand's owners' costs in 2016/17 are calculated as $199.3 million, while prizemoney distributed to owners (net of trainers' and jockeys' percentages) was $45.6 million, leaving a collective deficit met by owners of $153.7 million. This is a return to owners of 22.9% which compares poorly with the 48.1% of New South Wales (see table below).

While the current circumstances in New Zealand do not allow it to match New South Wales, I believe a minimum target of $100 million gross prize money ($85 million net) is achievable if the Review recommendations are accepted and implemented in full. This would increase the returns to owners to approximately 42.6%.

Comparison of payments to owners and costs met by owners - excluding costs of buying/breeding racehorses

	NZ 2016/17*	NSW 2017/18**
Thoroughbred owners' annual costs of training and racing	NZ$199.3m	A$394.7m
Prizemoney net of trainers' & jockeys' deductions	NZ$45.6m	A$190.0m
Deficit met by owners	–NZ$153.7m	–A$204.7m
Collective returns to owners	22.9%	48.1%

* These figures are based on information supplied by NZTR and the IER Size & Scope Report, February 2018. They have been adjusted to allow comparison with the current NSW figures. It is noted that gross NZ prizemoney in 2017/18 is calculated at $59.4 million after thoroughbreds' share of that season's additional $12 million distribution to the racing industry is taken into account. That will increase collective returns to owners in NZ to 25.3%.

** These figures are based on information supplied by Racing NSW. On 18 July 2018 Racing NSW announced an increase in gross prizemoney of $A24 million, applicable for the 2018/19 season from 1 September 2018. This will increase collective returns to owners in NSW to 53.1%.

Then there is the reduction in the New Zealand foal crop from 5,264 in 1994/95 to 3,448 in 2016/17 which is going to inhibit the future race field sizes so necessary for the generation of revenue from wagering. Other negative signs include the already static wagering turnover and the poor quality of racing and training facilities throughout the country.

The decline of the New Zealand thoroughbred industry has occurred over a long period of time, steadily eroding the confidence of participants. That confidence is at the tipping point, causing reduced commitment to investment in racing and breeding and the continuing loss of key participants. In my view, the New Zealand thoroughbred industry is now at risk of suffering irreparable damage.

Yet the racing industry overall is still one that, according to IER's recently released Size and Scope Report, contributes $1.633 billion to the New Zealand economy, of which 67.3% is attributed to the thoroughbred Code. In total there are 58,166 participants in racing of which 34,768 (59.7%) are involved in thoroughbred racing. Approximately 10,000 full time equivalent jobs are generated by the New Zealand thoroughbred industry, according to IER's 2018 Size and Scope Report.

Accordingly, the recommendations contained in the body of this Review aim to create a framework that will:

- enable industry leadership and management to pursue more effective decision-making
- provide the means by which prizemoney in the thoroughbred industry (and the other Codes) can approximately double to become more competitive with the Australian jurisdictions, and
- supply the capital necessary for upgrading tracks and facilities in the new environment with limited financial commitment from the Government

The Review has concerned itself primarily with structural changes in the thoroughbred Code which will impact favourably on the other two Codes as well. In my view, there are three segments of the industry which need reform. Each of these must be remodelled and modernised, recognising the nature of the wagering culture in New Zealand:

STRUCTURE, FINANCES & LEGISLATION – refer Part 1

I believe that the current governance structure and regulatory hierarchy do not lend themselves to the necessary level of Code accountability or to sound decision-making and this can lead to unnecessary Government involvement in the industry. It may be for this reason that, despite a number of previous independent reviews and industry reports, almost no meaningful reforms have been adopted since the passing of the Racing Act 2003 some 15 years ago.

Under the model I propose, the NZRB would become Wagering NZ, the holding company for racing's wagering, broadcasting and gaming activities only, with its other responsibilities devolving to the Codes.

The recommendations relating to this sector are intended to improve governance and accountability leading to better decision-making on a Code by Code basis and a more equitable distribution to the Codes.

WAGERING & THE TAB – refer Part 2

It is a fact that New Zealanders are not the avid gamblers that are seen in their closest neighbour Australia (wagering per capita in Australia is NZ$225 and in New Zealand is NZ$92 per annum). This denies the New Zealand TAB the scale required to compete with global wagering operators.

A solution which I favour in this regard is for the commercial activities of the TAB to be outsourced on advantageous terms to a suitable major wagering operator enabling the TAB to improve its product offerings, upgrade technology, improve customer service etc. This process should drive cost savings and incremental revenue, and offer New Zealand customers a compelling global product. This outcome will assist in the provision of significantly increased prizemoney. In May 2017 Deloitte conducted an 'Options Analysis' for New Zealand Thoroughbred (NZTR) which indicated that an outsourcing agreement would generate significant potential benefits. In my view, these benefits may be sufficient, if added to the positive financial outcomes generated by the other recommendations in the Review, to enable New Zealand stake money levels to be doubled.

CLUBS, RACECOURSES & PRIZEMONEY – refer Part 3

Racecourses and Clubs in New Zealand are generally starved of both revenue and capital which severely limits their capacity to modernise their customer facilities, improve their operating procedures and maintain fair and competitive race surfaces, so necessary for the optimisation of wagering, including in the prospective export markets.

Our research indicates that there are too many tracks for the scale of the industry — a conclusion also reached by a number of previous reviews and reports dating back as far as 1965. I believe that the number of thoroughbred racetracks can be reduced from 48 to 28 tracks progressively over the next five years commencing 2019/20; this will free up property assets which can be realised for the benefit of the industry as a whole. It is expected that property sold as a result of track closures will generate sufficient capital to satisfy the required program of renovation at the remaining tracks throughout New Zealand. The cost of this program is calculated at about $190 million and I believe this would be broadly consistent with estimates made by NZTR if only 28 tracks were to be retained.

Further, because thoroughbred racing in New Zealand is a turf-only jurisdiction, there is a need for the construction of three synthetic all-weather tracks in the appropriate demographics to enable training and trials to be held, especially during adverse weather conditions. These tracks would also be used for scheduled race-meetings and to host transferred meetings when necessary in extreme weather conditions.

In relation to the above, both the Racing Act 2003 and individual Race Club constitutions make it clear that members of Clubs are not owners of Club assets, including land holdings; these are in fact better described as industry assets. The Review makes recommendations to have this clarified in legislation enabling the properties to be vested in the Code regulator for the benefit of the thoroughbred industry as a whole.

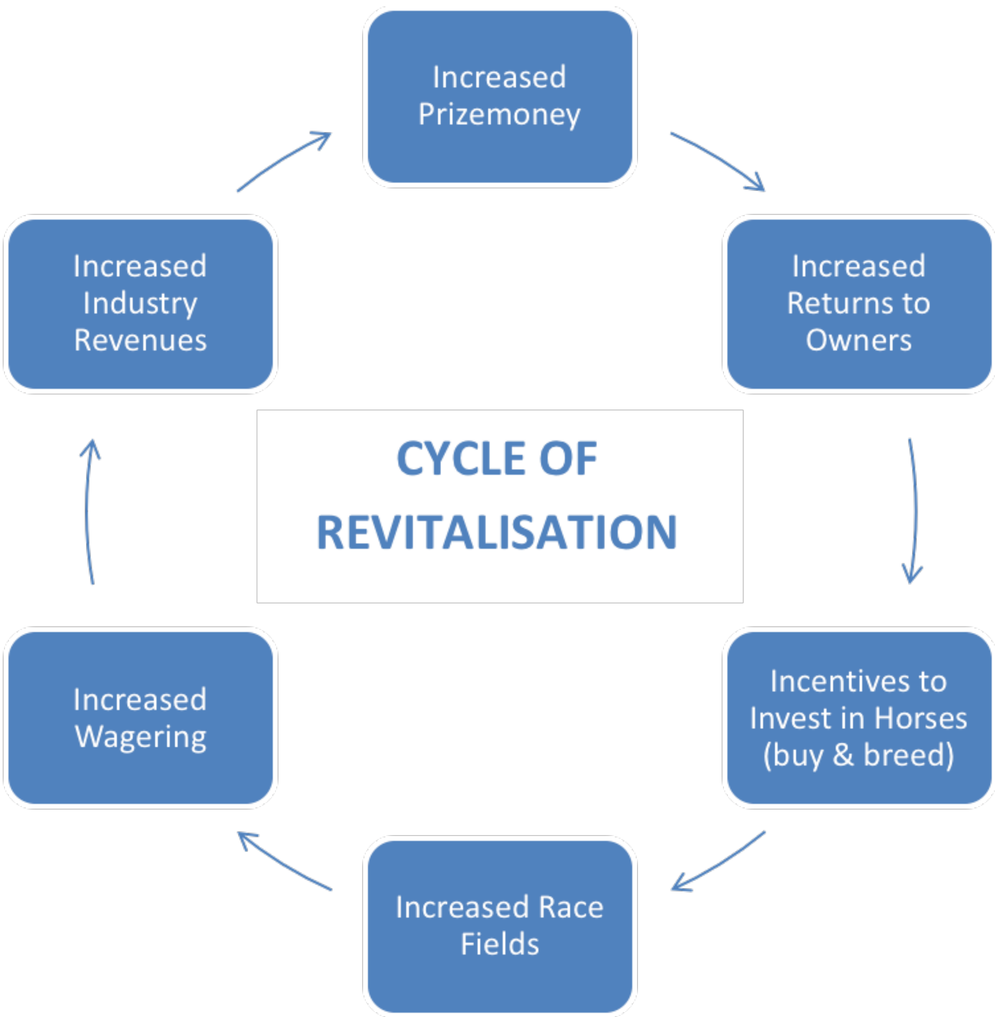
The single most effective lever available to reinvigorate the New Zealand thoroughbred industry is prizemoney; it rewards and supports owners, trainers, jockeys, stable hands, and the entire supply chain including breeders, vets, farriers, feed merchants etc.

I calculate that the cumulative impact of the reforms recommended in this Review can enable a near doubling of prizemoney in the thoroughbred sector from $59.4 million in 2017/18 to $100 million. The overall approach to prizemoney has to be aimed at supporting investment and participation in the sport through equitable funding for the lower tiers of racing, while ensuring that aspirations are fuelled by lifting the rewards of the Group and Listed program.

For example, these prizemoney increases can apply following the full implementation of the reforms:

MEETING/RACE CATEGORY	PROPOSED INCREASES TO MINIMUM STAKES
TIER 1 A	$40,000 to $70,000
TIER 1 B	$20,000 to $35,000
TIER 2 A	$30,000 to $50,000
TIER 2 B	$15,000 to $25,000
TIER 3	$10,000 to $20,000
GROUP 1	$200,000 to $400,000
GROUP 2	$100,000 to $250,000
GROUP 3	$70,000 to $150,000
LISTED	$50,000 to $100,000

Please see Part 3 of the Review for more details on the recommended new prizemoney model.



I recommend the following package of reforms, summarised below, for your consideration.

Recommendations

1. Change the governance structure, so the NZRB becomes Wagering NZ with racing responsibilities devolving to the individual Codes. This will sharpen the commercial focus of TAB operations and improve the decision-making and accountability of the Codes.

2. Establish Racing NZ as a consultative forum for the three Codes to agree on issues such as entering into commercial agreements with Wagering NZ, approving betting rules and budgets for the integrity bodies, equine health & research, etc.

3. Change the composition and qualifications for directors of regulatory bodies.

4. Request that a Performance and Efficiency Audit of the NZRB be initiated under section 14 of the Racing Act 2003, with particular emphasis on the operating costs of the NZRB.

5. Amend the Section 16 distribution formula of the Racing Act 2003 to a more equitable basis for fixed 10-year terms.

6. Initiate a special review of the structure and efficacy of the RIU and allied integrity bodies, to be conducted by an independent qualified person.

7. Begin negotiations for the outsourcing of the TAB's commercial activities to an international wagering operator, to gain the significant advantages of scale.

8. Seek approval for a suite of new wagering products to increase funding for the industry.

9. Confirm the assignment of Intellectual Property (IP) by the Clubs to the Codes.

10. Introduce Race Field and Point Of Consumption Tax legislation expeditiously. These two measures will bring New Zealand's racing industry into line with its Australian counterparts and provide much needed additional revenue.

11. Repeal the existing betting levy of approximately $13 million per annum paid by the NZRB, given that the thoroughbred Code is a loss maker overall, with the net owners' losses outweighing the NZRB's net profit.

12. Clarify legislation to vest Race Club property and assets to the Code regulatory bodies for the benefit of the industry as a whole.

13. Reduce the number of thoroughbred race tracks from 48 to 28 tracks under a scheduled program. This does not require the closure of any Club.

14. Upgrade the facilities and tracks of the remaining racecourses with funds generated from the sale of surplus property resulting from track closures to provide a streamlined, modern and competitive thoroughbred racing sector capable of marketing itself globally.

15. Construct three synthetic all-weather tracks at Cambridge, Awapuni & Riccarton with assistance from the New Zealand Government's Provincial Growth Fund. Support the development of the Waikato Greenfields Project.

16. Introduce robust processes to establish traceability from birth and the re-homing of the entire thoroughbred herd, as the foundation stone of the industry's ongoing animal welfare program.

17. Increase thoroughbred prizemoney gradually to over $100 million per annum through a simplified three-tier racing model, with payments extended to tenth place in all races.

Finally, this Review is only the beginning of the reform process and it is critical that the implementation of the recommendations be pursued urgently and in their entirety, as this is the step at which previous reform efforts appear to have faltered.

I acknowledge the challenge that this Review and the associated recommendations present to you, your Government and the overall industry. However, I am confident that with strong leadership, and the support and commitment of all sectors, organisations and participants, the industry can be turned around and achieve sustainability with consequential favourable impacts on the New Zealand economy.

I emphasise the integrated nature of the recommendations. For example, the venue reduction plan is necessary to improve the racing product, which is essential for generating the increased wagering that in turn will deliver better returns to all stakeholders. This will provide a secure foundation for the industry's continued recovery and growth into the future. Similarly, the additional revenue generated by the implementation of the other recommendations in this Review will not fund required prizemoney increases if all 48 racecourses were to be retained, upgraded and maintained to an acceptable standard.

I suggest that implementation of the reforms begins with the appointment of members to the NZRB, pending the necessary changes in legislation. A clear mandate should be given to the board to drive the reforms through the system with a sense of urgency. Further, I would recommend the establishment of a board sub-committee whose only task will be to progress the wagering outsourcing opportunity.

Yours sincerely,

John Messara AM

Part 1
STRUCTURE, FINANCES & LEGISLATION

PART 1 – STRUCTURE, FINANCES & LEGISLATION

GOVERNANCE & STRUCTURE OF RACING AND WAGERING

Introduction

This review was conducted with the realisation that the racing and wagering industries are undergoing significant change and are facing increasing competition and challenges. It is therefore imperative that the enabling legislation is framed in a manner which empowers the industries to meet those challenges and which protects and enhances the financial welfare and livelihoods of the many thousands of persons associated with the Racing Industry.

In accordance with the provisions of the Racing Act 2003 the former NZ TAB and the former NZRIB were abolished and the functions and responsibilities of those Boards (administration of racing and the provision of race and sports betting services) were consolidated and transferred to the newly established NZRB.

At that time, it was envisaged that this new structure would improve the efficiency of racing and betting in New Zealand and would deliver improved financial returns to the Racing Industry because of the cost savings from the consolidated administration together with the ability of the new organisation to produce a superior and better co-ordinated betting product.

Importantly, the then Government's action had the support of the TAB and the Racing Industry which had themselves recommended the merger. However, that support now appears to have dissipated with sections of the industry critical of the NZRB's performance and becoming concerned at what they see as a loss of control of their respective Codes. There is also concern that the independent nature of the NZRB does not lend itself to the establishment of an organisation with sufficient knowledge of or experience in the racing and wagering industries.

In addition, despite the intent of the legislation it could be argued that the NZRB is not delivering sufficient returns to the Racing Industry to ensure its ongoing viability. This is borne out in the following table outlining the distribution to the Industry over recent years. Had it not been for gaming receipts, the distribution would have been well below inflation.

Racing

2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
$135m	$121m	$123m	$124m	$129m	$134m	$134m	$136m	$136m	$148m*

*includes Special $12m payment

Gaming

2014	2015	2016	2017	2018
$8.2m	$10.6m	$11.7m	$11.5m	$13.3m

There are many causes for this downturn including the transfer of betting to lower return fixed odds options and the increasing incidence of New Zealand residents betting with Australian wagering operators, particularly corporate bookmakers operating out of the Northern Territory and the Tasmanian betting exchange, Betfair. (This issue has been addressed by the Government in the Racing Amendment Bill 2017 and further comment will be offered later in this Review.)

Nevertheless, we do not feel that the current structure of the NZRB is conducive to the efficient regulation of the Racing Industry or the maximization of wagering revenue because of its conflicting priorities. In addition, the structure does not place a sufficient level of accountability on the NZRB towards its major stakeholders (the Racing Industry). There is also a belief that the NZRB has concentrated its efforts more on its wagering functions rather than on its overall regulation of the Racing Industry.

Accordingly, we believe the Racing Industry should be self-regulating and have a clear and unambiguous relationship with its wagering arm which should be free to focus its endeavours totally on wagering, gaming and broadcasting.

Most Australian State and Territory TABs have now been privatised and the relationship between those organisations and the racing industries in their respective jurisdictions operate in accordance with strict commercial agreements where each party is subject to well-defined obligations and responsibilities and where sanctions apply for non-compliance with their responsibilities.

There does not appear to be any appetite within the NZ Government or the Racing Industry to corporatise or privatise the wagering functions of the NZRB and it is not within our charter to enter that discussion. Accordingly, our recommendations are centred on the status quo continuing.

Based on a review of the state of racing in New Zealand and on experience with the Australian Racing Industry, it appears obvious that the industry is in need of an overhaul. The racing and wagering functions of the NZRB should again be separated with all racing regulatory functions devolving to the three Codes and the NZRB being renamed and solely responsible for wagering on racing and sports, as well as the conduct of approved gaming within its venues and the broadcast of racing vision.

We must stress that it is also essential that the NZRB's statutory monopoly on wagering remains in place. While overseas online operators can readily access New Zealand punters, retail operations should remain the province of the NZRB through off-course venues and racecourses and existing advertising restrictions should also remain in place.

Should the Government be receptive to the separation of the racing and wagering functions we recommend the following actions:

Wagering NZ

The existing NZRB should be renamed Wagering NZ and all of its racing regulatory functions should be transferred to the Racing Codes.

The Board of Wagering NZ should comprise 7 members as follows:

- Independent Chair appointed by the Minister on the recommendation of the Selection Panel appointed by the Minister,

- Chairs of three Racing Codes or their delegates,
- Three Independent members appointed by Panel comprising above four members.
- All Independent members including the Chair of Wagering NZ must meet the following criteria:
    - have experience in a senior administrative role or experience at a senior level in one or more of the fields of business, finance, law, marketing, technology or commerce; and
    - have a proven knowledge of the Racing or Wagering Industries; and
    - are not members of the Board of a Racing Code, a Race Club or a kindred body.

The Chair and the independent Directors should be appointed for three year terms and be eligible for re-appointment with a maximum period of appointment of six years.

The legislation should also stipulate that a member of the Board appointed in the member's capacity as Chair of a Racing Code does not have a conflict of interest merely because of the members' role with the Racing Code.

The functions and responsibilities of Wagering NZ to include:

- Holding the wagering licence and the conduct of all wagering in New Zealand,
- Holding Class 4 Gaming Licence and conduct of approved gaming activities in venues,
- Operating Trackside for the televising of New Zealand racing and distribution of racing vision domestically and internationally in accordance with a non-exclusive licence issued to it by the Codes which retain ownership of the IP in the vision,
- Entering into Commercial arrangements with the Racing Codes for the conduct of race meetings by the Codes and the distribution of wagering and gaming profits to Racing Industry and Sporting Bodies in accordance with legislation or formulae agreed between Codes. The legislation should specify that the racing product remains the property of the Racing Codes as does the right to conduct betting on that racing.
- Entering into arrangements with an appropriate outsourcing Partner for TAB operations as recommended in Part 2 of this Review:
    - Assessment of a TAB outsourcing partner in relation to Service Level Agreements and Key Performance Indicators
    - Monitoring and potential re-negotiation/amendment of out-sourcing arrangements
- Making of Rules relating to Betting (Racing and Sports) in conjunction with Racing Codes. These Rules and any variations to totalisator take-out rates to be approved by Racing Codes but the Codes cannot reasonably withhold approval.
- Participation with Racing Codes in the development of the Racing Calendar.

- Issue of betting licences to race clubs allocated race dates. Wagering NZ not to impose conditions on licences without consultation and agreement with Codes.

In addition, Wagering NZ should be required to prepare an annual Statement of Intent in consultation with the Codes and to submit that document to the Minister and distribute it to the Racing Codes and Race Clubs. It should also be required to submit an annual report to the Minister for tabling in Parliament as well as any changes to the betting rules. Further, Wagering NZ should be required to act in the interests of the general public and the Racing Codes.

Racing Codes

As mentioned, all racing functions currently exercised by the NZRB should be devolved to the three Racing Codes (NZTR Incorporated, Harness Racing New Zealand Incorporated, and the New Zealand Greyhound Racing Association Incorporated) to be undertaken along with their existing functions and responsibilities.

The Codes currently operate in accordance with their own constitutions and are required to lodge an annual statement of intent and business plan with the NZRB which the Board is empowered to approve or not. This requirement should be deleted to ensure that the Codes have total responsibility for the on-going well being and viability of their respective industries. Nevertheless, they should still be required to submit their constitutions and any changes thereto to the Minister for approval, to publish their statements of intent and business plans and to submit their annual reports to the Minister for tabling in Parliament. They should also continue to submit their Rules to the Minister for presentation to the Parliament.

As this is a high-level Review, it was not possible to undertake an in-depth evaluation of each of the Codes and during the Review there were no indications given that the existing structures, constitutions and rules of the Codes were deficient and not serving the best interests of the respective industries. Accordingly, with the following exception, we have formed no view on these matters.

Nonetheless, it is noted that the Constitutions of each of the Codes provide for either a board consisting of persons representative of various stakeholders or persons selected by panels of stakeholders. It is an unusual situation for a regulatory body that the persons being regulated nominate the persons regulating them and have the power not to renew their nomination if they are aggrieved by their decisions. As the Codes have regulatory obligations in relation to the industry, the Race Clubs and the participants, it is essential that a member does not vacate office during a term merely because of the withdrawal of his or her nomination by the body that nominated the member. This is an important reinforcement of a member's capacity to act independently and objectively in the industry's interest and there should be no perception that the Codes are the clearing houses for pressure groups to deliver a range of self-interested objectives. On this same subject the Legislation should provide clauses requiring members of the boards of the Codes to act in the interests of the public and respective industries as a whole and for a nominated member to put the interests to which the duty relates before the interests of the body that nominated the member.

In addition, although two of the Codes already provide for the appointment of independent directors there should be a statutory requirement that the constitutions of each Code provide for the appointment of at least two independent directors to ensure that the Codes each have a board with wide commercial and regulatory experience.

These Independent Directors should possess the following qualifications:

- have experience in a senior administrative role or experience at a senior level in one or more of the fields of business, finance, law, marketing, technology, commerce, regulatory administration or regulatory enforcement; and
- have a proven knowledge of the Racing or Wagering Industries; and
- are not members of the Board of a race club or a kindred body.

The Independent Directors should be appointed for three-year terms but be eligible for reappointment with a maximum period of appointment of six years.

Following the proposed changes, the functions and responsibilities of the Codes would include:

- Control and regulation of respective industries
- Promotion of respective industries
- Development and oversight of respective rules of racing etc.
- Development of business plans for respective industries
- Registration/licensing of participants
- Registration of racing stock
- Maintaining Stud Books
- Appointment of stewards to Racing Integrity Unit (RIU)
- Development of Distribution Policy and distribution of funds to Race Clubs
- Handicapping/grading policies and operations
- Maintaining racing database
- Collection of fees and payment of stakes/percentages
- Provision of administrative support to the JCA, the Appeals Tribunal and the RIU per medium of Racing NZ – see the following graphic of the Proposed New Structure of NZ Racing
- Administration of Betting Information Usage Scheme for respective industry.

Racing NZ

There are several facets of racing administration where the Codes will need to act collectively for the efficient operation of the overall Racing Industry. These include:

- Entering into commercial arrangements with Wagering NZ
- Development of racing calendar in conjunction with Wagering NZ
- Approving budgets, plans and administrative support for the JCA, RIU and the Laboratory where required.

- Consulting with Wagering NZ on whole of industry issues such as Betting Rules, and financial support of the NZ Equine Research Foundation and the Equine Health Association.

To effectively manage these functions, it is recommended that the Codes participate in a body named Racing NZ. This body would not be established as a separate administrative body but would merely act as a consultative forum between the Codes. It would not be empowered to act unilaterally without the approval of the Codes.

Based on the relative size of the Codes it could consist of a Board of 4 Directors as follows:

- Two (2) members nominated by NZTR one of whom is to be Chair with a casting vote
- One (1) Member nominated by HRNZ
- One (1) Member nominated by GRNZ

This body could be serviced administratively by each of the Codes on a rotation basis or in accordance with such other arrangements as agreed between the Codes.

Race Clubs

Race Clubs should continue to operate in accordance with their existing constitutions. However, there should be a requirement that Race Clubs submit their constitutions, and any changes, to the respective Codes for approval. In addition, Race Club constitutions should contain provision for the appointment of at least two Independent Directors to ensure the boards have a wider level of experience available to them in areas such as marketing, asset management and event management.

Structure

As per constitutions approved by relevant Board.

Functions & Responsibilities

- Manage venue facilities (premises and racetrack)
- Employ race day officials
- Conduct race meetings
- Promotion of race meetings
- Engaging with sponsors and contractors

Integrity & Animal Welfare

A sound integrity system and strong animal welfare protocols are fundamental to the sustainability of racing and wagering, and the wider community's support for industry. Any loss of confidence in the system by participants or the public can have dire consequences for the industry.

Based on a limited review of the present integrity model it is not recommended that there be any changes to the existing structure at this time or to the roles and functions of the Judicial Control Authority (JCA), Judicial Control Committees (JCCs) or the Appeals Tribunals.

Insofar as the Racing Integrity Unit (RIU) is concerned, it would be inappropriate for the Chair of the Racing Board (Wagering NZ) to continue in that role and it is recommended that this position be filled by an independent person selected by the three Codes.

All bodies should continue to be funded by the proceeds of Wagering NZ's gaming activities in accordance with budgets approved by the Codes.

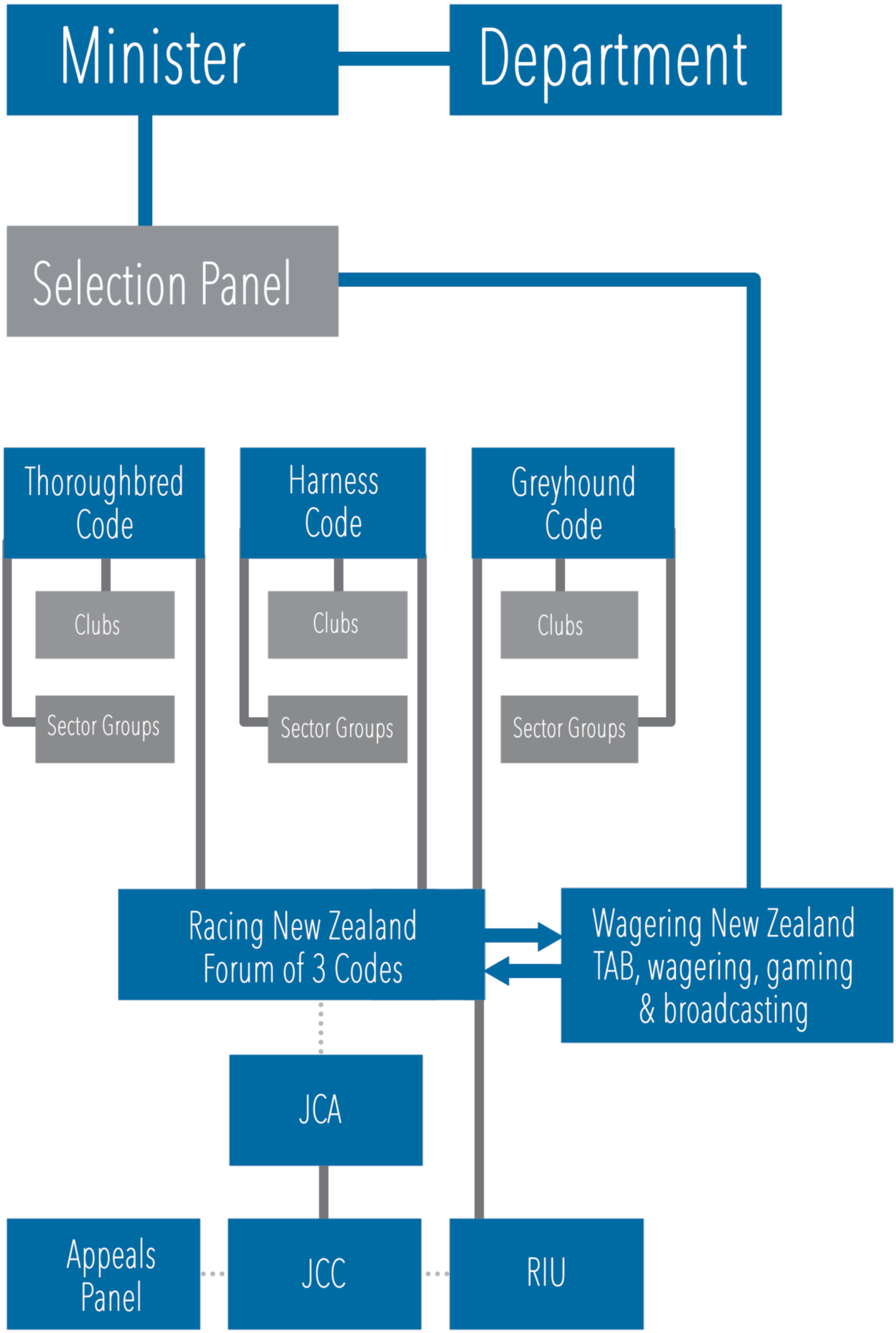
However, as each Code is unique with its own peculiarities and nuances, we have serious doubts as to whether it is appropriate for stewards to have cross-Code responsibilities and questions arise whether they are able to function effectively and apply a significant level of on-going surveillance to any one Code.

Accordingly, it is recommended that the Minister retains the services of an appropriate person well versed in stewarding policies and procedures to review the overall Integrity model for its efficacy, independence and accountability. Such a review could start immediately after this report is lodged, so that any changes can be incorporated into any enabling legislation.

Finally, we recommend the introduction of robust processes to establish traceability from birth and the re-homing of the entire thoroughbred herd, as the foundation stone of the industry's ongoing welfare program.

The following graphic sets out the proposed structure of the racing and wagering industries following the implementation of the recommendations contained in this Review.

Proposed New Structure for New Zealand Racing



PART 1 – STRUCTURE, FINANCES & LEGISLATION

FINANCES & DISTRIBUTION TO THE CODES

Introduction

The New Zealand Racing Industry is financed by a combination of receipts from the following sources:

- Fees and charges imposed on participants by Racing Industry Codes.
- Revenue generated by Race Clubs from on course activities.
- Distribution of Funds from the NZRB in accordance with Sections 16 and 57 of the Racing Act.
- Funds provided to Industry for integrity purposes from NZRB's gaming activities.

This part of the Review concentrates on funds generated through the operations of the NZRB.

Betting Levy

In accordance with the relevant legislation, prior to distributing its profits to the Racing Industry, the NZRB is required to pay GST and betting levies to the Government. The amount relating to the betting levy is approximately $13.2 million per annum.

It is in the Government's interests to revitalise the Racing Industry which would in turn lead to increased employment opportunities and an increase in the industry's contribution to the New Zealand economy.

The Racing Industry, taken as a whole, is in a loss-making position, with owners' losses exceeding the NZRB profit. We therefore believe that it would be most beneficial if the Government were to repeal the betting levy provisions.

If the Government were of a mind to adopt this strategy it would send a clear signal of its support for the Racing Industry and its recognition of the importance of the industry to the New Zealand economy.

Further, if the levy is discontinued we would recommend that the resultant amount not form part of the Board's overall profit to be distributed in accordance with Section 16 of the Act but that it should be accounted for separately and distributed directly to the Racing Codes. In addition, as this action would represent revenue foregone by New Zealand taxpayers, we are of the view that it should be distributed to the codes in accordance with their respective contributions to the New Zealand economy. Based on the recent Size and Scope Report prepared by IER in February 2018 the revenue foregone by Government would be distributed to the Codes in the following proportions:

THOROUGHBRED RACING	67.20%
HARNESS RACING	27.10%
GREYHOUND RACING	5.70%

A precedent for distributing funds to the Racing Industry on the basis of its contribution to the economy already exists in New South Wales. In that State the Government recently reduced the betting taxes imposed on the Racing Industry (parity legislation) and rather than providing for the amounts to be included in the overall profits of Tabcorp and distributed to the Racing Codes in accordance with the agreed distribution formula they were channelled to the Codes based on their individual contributions to the NSW economy.

Section 16 - Distribution of NZRB Surpluses to Codes

In accordance with Section 16 of the Act surpluses obtained by the NZRB in terms of Sections 53 (2) and 57 (2) are to be distributed to the Codes in the same proportions that the Board considers are the proportions to which the Codes contributed to the New Zealand turnover (domestic races) of the NZRB for that racing year.

The Act further provides that this formula can be amended if a majority of the Codes agree in writing (two out of three). Under this provision there have been several minor amendments to the scheme since its implementation.

Percentages distributed to the Codes over the past 5 years.

CODE	2014	2015	2016	2017	2018
THOROUGHBREDS	54.2%	54.5%	54.3%	54.3%	53.7%
HARNESS	29.9%	29.7%	29.6%	29.6%	29.6%
GREYHOUNDS	15.9%	15.8%	16.2%	16.2%	16.7%

It is submitted that, while the formula may have been appropriate when the legislation was drafted, it is no longer relevant in the current wagering landscape and should be amended to better reflect the respective Codes' contributions towards the NZRB's profitability and that the distribution should be based on the totality of betting (local and overseas racing events).

Arguments can be advanced for and against changing the distribution formula to include "imported" (overseas) betting turnover as an element within the distribution scheme. These include:

FOR

- The respective codes promote overseas racing, sometimes at the expense of their own race meetings.
- Supporters of the respective Codes follow that form of racing wherever it is held, locally or overseas.
- The NZRB should be free to operate on those meetings which have the major bearing on its profitability without the need to consider the impact of those meetings on the NZ Codes.
- Overseas racing contributes significantly to the NZRB's profit thereby generating increased surpluses for distribution to all Codes.

AGAINST

- Increased wagering on overseas meetings has a detrimental effect on local meetings and on opportunities for participants in the local industry,
- New Zealand Racing Codes and Race Clubs have altered their race dates and timetables to accommodate overseas race meetings of other Codes and they should not then be penalised by a reduction in their revenues,
- Costs of developing systems and costs of providing overseas racing are met by all Codes

Distribution of TAB profits between the Codes has always been a highly contentious issue and will continue to be so while there is a formula in place which is readily changeable. The situation in New Zealand is no different to that which has existed in most of the Australian States and Territories over the past 50 or so years.

Our initial reaction to the current formula under Section 16 is that it is grossly unfair that it can be amended on the basis of two of the three Codes agreeing to such amendment. This will always create a scenario where any two of the Codes are able to act or threaten to act to the disadvantage of the third Code. Therefore at the very least we would suggest that the legislation be amended to provide that the scheme can only be amended if all three Codes are in agreement.

The NZRB's operations have changed substantially since 2003 with more emphasis on betting on overseas race meetings, the introduction of fixed odds betting and an increase in sports betting. In fact, betting turnover on "imported" (off-shore) racing now exceeds turnover on New Zealand racing. This is particularly so with the Thoroughbred Racing and Greyhound Racing Codes.

There is no right or wrong answer to the arguments advanced by those for and against the inclusion of betting on overseas racing in the formula for distributing TAB profits. It therefore comes down to what is considered equitable.

Firstly, any new scheme should ensure that no Code goes backwards in any year in terms of its distribution and any amended formula should only apply to incremental revenue. This is in fact the position with the current Section 16 scheme.

Having examined the current situation in New Zealand, and having studied the schemes which operate in several Australian States and in Ireland, we are now of the opinion that any future scheme should give equal weight to betting on local and overseas racing events. There is ample precedent of this method in various overseas distribution models.

By way of example, the schemes operating in New South Wales and Victoria provide for the distribution to be based on total turnover not just turnover on local events. In this regard, prior to the privatisation of the NSW TAB the TAB surplus was distributed on the basis of all turnover (local, interstate and overseas). Following the privatisation the three codes entered into an agreement whereby future surpluses would be distributed as fixed percentages based on the then existing figures. Accordingly, while the scheme is fixed for the time being the distributions are still based on the historical percentages which existed in 1997 and which were based on total turnover.

The scheme which has operated in Victoria since the privatisation of the TAB in that State also allows for the inclusion of all turnovers on local, interstate and overseas racing by Code. 50% of the surplus is distributed on the basis of the percentages which applied at the time of privatisation with the remaining 50% distributed on the basis of current turnovers.

A further example of "imported" betting turnover being used as a basis for calculating distributions already exists in Section 57 of the Racing Act 2003 which provides the mechanism for the payment of fees to NZ Sporting bodies. Under that section all sports betting (local and overseas) is taken into account in determining the amounts payable to sporting organisations.

Accordingly, it is not uncommon for TAB distributions between Racing Codes to be based on total turnover and we recommend that this principle should now apply in New Zealand. However, rather than applying turnover figures to calculate the distribution we believe that a more relevant factor would be "gross betting revenue" which is a more exact indicator of each Code's contribution to the overall TAB profit.

At the same time, we believe that a further element should be added to the formula for distributing NZRB (Wagering NZ) profits to the three Codes, i.e. the contribution each industry makes to the New Zealand economy (this method is also being recommended for the distribution of funds made available by the repeal of the betting levy). While this might appear a somewhat radical approach it must be recognised that the Racing Industry is in a unique position in that it has statutory authority to generate the majority of its revenues from legalised gambling on its activities.

The Racing Industry does make a significant contribution to the New Zealand economy. As identified in the 2018 IER Size and Scope Report, the New Zealand Racing Industry is already responsible for generating more than $1.6 billion in value-added to the New Zealand economy. This should then carry forward to the individual Codes themselves and be used as an important element in calculating the annual distribution.

In addition, provided the NZRB (Wagering NZ) surplus is sufficient we recommend that the Codes receive no less than they received in the previous financial year. Where the surplus is less than the previous year, the Codes will receive a proportionate amount based on their previous year's receipts.

However, any additional revenue should be distributed as follows: 25% of the surplus distributed on the basis of Gross Betting Revenue from local racing, 25% distributed on basis of Gross Betting Revenue from overseas racing with the remaining 50% distributed on the basis of each Code's economic contribution.

Once the new formula is implemented, the legislation should provide that it remains in place for a period of 10 years and can only be amended with unanimous agreement from the three Codes and approval by the Minister.

The following table shows the approximate effect on the total amount (by percentages) which would be received by the Codes if all of the Review's recommendations (including the repeal of the betting levy) are adopted and new revenue increases by increments of $25 million, $50 million, $75 million and $100 million are applied.

ADDITIONAL REVENUE	THOROUGHBRED RACING	HARNESS RACING	GREYHOUND RACING
EXISTING	53.7%	29.6%	16.7%
$25 MILLION	56.4%	28.6%	15.0%
$50 MILLION	57.2%	28.0%	14.8%
$75 MILLION	57.9%	27.5%	14.6%
$100 MILLION	58.4%	27.1%	14.5%

Funding of Integrity Services

Under existing arrangements, the costs of administering the Racing Industry's integrity services are met from revenue generated from the NZRB's gaming activities. These arrangements should continue and as outlined in the section on the Governance and Structure of Racing and Wagering in New Zealand, payments should be made in accordance with recommendations from the proposed new entity, Racing NZ.

Section 55 – Agreements with National Sporting Organisations

Under this provision the NZRB is only able to conduct betting on sporting events with written agreement from National Sporting Organisations. We have received submissions suggesting that this Section should be repealed and that the Board should be free to provide betting on all events it considers appropriate.

We agree that the NZRB should be able to compete freely with overseas operators and offer betting on all overseas sporting events without the need to obtain agreement from NZ Sporting Organisations. In the absence of any agreement, the NZRB should pay a fee to the relevant organisation based on the minimum fee prescribed in Section 57 of the legislation.

Section 57 - Distributions to National Sporting Organisations

Section 57 of the Act provides that from the amounts bet with it on sporting events, the NZRB must make payments to National Sporting Organisations with whom it has agreements under Section 55. Those payments are to be in accordance with agreements between the parties but must not be less than:

- 5% of totalisator sports betting turnover; and
- 1% of fixed-odds sports betting turnover and 5% of gross profit (being gross revenue minus dividends paid, but not less than zero) from fixed-odds sports betting

We are not convinced that these arrangements should be altered as sporting bodies are already free to negotiate a schedule of fees acceptable to them while at the same time having statutory protection on the minimum fees payable to them.

PART 1 – STRUCTURE, FINANCES & LEGISLATION

RACING AMENDMENT BILL 2017

Proposed Information Use Charge & Consumption Charge

As requested we have taken the opportunity of reviewing the proposed Racing Amendment Bill together with various other documents including the Department's Regulatory Impact Statement and the NZRB and Joint Codes Submission in respect of the Bill. Accordingly, we offer the following comments.

Racefield Legislation (Betting Information Use Charges) has been a significant generator of revenue for the racing industries of all States and Territories of Australia over the past decade. The NSW Legislation (Betting and Racing Act 1998 (NSW)) has enabled Racing NSW to significantly improve the finances and future viability of the NSW Thoroughbred Racing Industry. In fact, since the enactment of the legislation Racing NSW has generated revenue of more than $650 million for the thoroughbred racing industry in New South Wales. The NSW Harness Racing and Greyhound Racing Industries have also benefited significantly from this legislation. Importantly, the legislation and the conditions under which the NSW scheme operates withstood legal challenges as to their validity in the Federal Court of Australia and the High Court of Australia.

Furthermore, the Governments of most Australian States have either enacted or are considering the introduction of Point of Consumption Tax Legislation which will create a further revenue source for those Governments and/or their respective racing industries.

The proposed New Zealand legislation will, of course, cover both areas (Information Use and Consumption Charges) and will therefore capture a much needed source of revenue for New Zealand racing and sport.

While the Information Use Charges appear to be well supported by industry bodies and acceptable to wagering operators the same cannot be said for the Consumption Charges. In this regard, arguments have been advanced that application of these charges would amount to double taxation as the wagering operators already pay GST to the New Zealand Government. It has also been suggested that it would be difficult for wagering operators to determine the location of persons placing bets with them.

Firstly, we do not accept the argument of so-called double taxation. This is no different to the situation in Australia where wagering operators are required to pay a combination of taxes and levies (GST, Consumption Tax and Racefield Levies). In addition, Northern Territory operators are also liable to pay additional fees to the NT Government. On the question of determining the location of punters, it would appear that the overseas wagering operators are already able to determine the location of New Zealand-based punters to calculate GST payable to the New Zealand Government. It is my understanding that most Australian States will accept a system whereby the location of a punter will be determined based on the punter's home address rather than determining his actual location at the time the bet was placed.

We would therefore recommend that the same system apply with the administration of the New Zealand charges.

Some questions have been raised regarding New Zealand's obligations under the CER Agreement with Australia and, while we would not profess to have an understanding of those arrangements, it would appear that provided the schemes are not implemented in such a way as to disadvantage Australian operators compared with the New Zealand operator, then they should present no difficulties in introducing the schemes.

Therefore, we see no impediment to the legislation and we strongly suggest that it be enacted at the earliest opportunity either as a standalone Bill as presently drafted or as a component of overall amending legislation based on our further recommendations

In providing our comments on the Bill, we do not purport to have a thorough understanding of all relevant NZ Racing, Betting and Taxation legislation.

Accordingly, we have based our comments largely on a comparison between the Bill and the operations of the successful NSW Racefield Legislation and the conditions imposed by Racing NSW on persons using NSW Thoroughbred Racing Information.

In addition, the standard conditions for wagering operators using NSW thoroughbred racing information have been developed over a long period of time and could be a useful template for future agreements with wagering operators. A copy of those conditions can be found on Racing NSW's website - www.racingnsw.com.au.

The Bill

Designated Authority

We do not believe it is appropriate for Government or a Government Department to assume the role of Designated Authority for the issue of a Betting Information Use Agreement and believe it is more of a role for an industry body. Similarly, the role should not be allocated to the NZRB (Wagering NZ) because of the conflicts of interest which would arise where the Board was both a betting operator and an authorising and regulating body for other competing operators.

Therefore, it is more appropriate for the role of Designated Authority to be allocated to each of the Codes and Sport New Zealand to administer separately in the best interest of their respective industries and stakeholders. Similarly, all revenue generated under agreements with overseas wagering operators should be retained by these bodies and applied towards their objectives in accordance with agreements with their own clubs and sporting bodies as the case may be.

However, we believe that the Consumption Charge scheme should be administered centrally. Though, for the reasons advanced above it would not be appropriate for the NZRB (Wagering NZ) to become the Designated Authority for this scheme and we agree that, by default the Department of Internal Affairs should assume the role.

Approval Process

The definition of an offshore betting operator in the Bill covers all operators whether licensed or not. This definition would capture all legal and illegal operators fielding on New Zealand racing or accepting bets from New Zealand residents. However, we are of the view that authorisations should only be given to persons licensed or authorised to operate as a wagering operator under the legislation of a relevant Country or State, or licensed by an authorised racing body. This condition is vital for the integrity of the schemes and of the New Zealand Racing and Sporting industries as it will ensure that persons who are granted an authority are operating in accordance with defined rules and regulations and under the supervision of an appropriate authority.

The legislation should also provide for the cancellation, revocation or variation of authorisations where the operator fails to pay amounts due to the Designated Authority or fails to comply with the Regulations or any Conditions attached to the authorisation.

Consideration might also be given to provide for an administrative review of any decision not to approve an application for an authorisation, or of any decision to cancel, revoke or vary an authorisation.

Distribution of Revenue

We believe that the formula prescribed in the Bill for the application of revenue from the schemes is too vague and will not provide the necessary certainty for the Racing Industry or sporting organisations to enable them to pursue short and long-term strategies for the payment of prizemoney and the development of racing and sporting infrastructure.

As mentioned above, revenue generated from the Betting Information Use Agreements should accrue directly to the three Codes of Racing and relevant Sporting Authorities in accordance with the respective shares of that revenue generated by them.

Revenue generated under the Consumption Charges Scheme and collected by the Department could then be applied firstly for the administration of the scheme with any balance distributed in accordance with a formula based on the respective shares of the total current wagering with the NZRB (Wagering NZ) plus harm minimisation initiatives, etc.

Method of Assessing Fees

The level of fees and the basis of assessing them should be identical for all operators irrespective of their methods of operation (totalisators, fixed odds or betting exchanges, etc.).

We note that there are suggestions that the rates of the betting information and consumption charges could be based on wagering revenue or on wagering turnover or on a combination of both. In this regard we would strongly recommend that the rates be set on a percentage of wagering turnover.

Based on experience in New South Wales and certain other States, a turnover method remains the best basis of levying wagering operators for the following reasons:

Certainty, Simplicity and Fairness

- A turnover basis ensures that the Designated Authority or the racing industry does not become a silent partner of the bookmaker by sharing a proportion of profit but having no input into the bookmaker's risk management strategies, pricing structures and other operational issues.
- All operators are treated equally, irrespective of their mode of operation or the margins on which they operate their business.
- Turnover provides greater certainty as to the level of revenue that the industry can expect to receive.
- A turnover tax is less susceptible to any tax minimisation and is easier to administer across a number of wagering operators who offer different types of betting. To this end a turnover tax prevents an operator minimising his tax liability by artificially reducing his net wagering profit by adding winning bets to his book after the running of a race or by including marketing costs such as free bets etc.
- There is no dispute as to what elements should be included in the basis of the tax. The volume of wagering turnover is the simplest and best measure of betting activity with wagering operators. By contrast there are substantial difficulties associated with monitoring and enforcing a tax based on gross revenue, where the operator is licensed outside New Zealand.

Integrity

- The use of wagering turnover rather than revenue is the method most consistent with maintaining the integrity of racing.

Commercial

- Ensures that bookmakers and the authorising body are commercially at arm's length. The very reason why turnover is an appropriate metric is that it is independent of the ways in which a particular wagering operator might choose to generate profits.
- There is not a sufficient nexus between the authorising body and a variety of wagering operators, to make a revenue-based tax appropriate.
- The tax raised is not dependent on the skill or business acumen of individual bookmakers or their pursuit of market share.

The systems should also allow bookmakers to claim bet-back credits where they lay off all or part of a bet made with them but only where the bet is laid off with another operator who is liable for the New Zealand charges.

Terms and Conditions and Regulations

The Conditions which require an operator to provide prescribed information for the purposes of monitoring amounts due as Betting Information Charges could be expanded to also require the operator to provide information to allow the monitoring of matters relating to the integrity of New Zealand Racing and Sporting events.

The Conditions or Regulations could make provision for the inspection of betting records held by the operator to allow any investigation relating to the integrity of New Zealand Racing and Sporting events. Provision could also be made requiring the operator to allow an audit of the operator's financial records by an independent auditor approved by the Designated Authority with the costs of such audit being borne by the operator.

Ministerial Exemptions

We are informed that the NZRB (Wagering NZ) recently entered into a voluntary agreement with one Australian wagering operator for the payment of Information Usage Charges. This agreement would normally be eligible for a ministerial exemption under the proposed legislation. However, if our recommendations are adopted, the NZRB would not be the Designated Authority for these charges and provision should be made for the continuance of the agreements for the duration of their terms. Nevertheless, revenue received under the arrangements should be distributed to the Codes and Sporting bodies in accordance with the proportions generated on their activities. No other agreements should be entered into without approval from the Codes and relevant Sporting body.

Level of Penalties

We are not convinced that the maximum level of penalties prescribed in the Bill is sufficiently high enough to act as a proper deterrent for persons not complying with the legislation. Perhaps further consideration should be given to adding custodial penalties for persons found guilty of breaching the legislation.

It is widely thought that the inclusion of custodial penalties in the NSW legislation has been a prime motivator for a high level of compliance.

While it would be beneficial for the legislation to be enacted at the earliest opportunity to generate much needed revenue for the racing industry, it would be more appropriate to delay its passage until a final decision is made by the Government on the preferred structure of racing and betting administration in New Zealand. This would avoid the necessity of setting up monitoring and collection systems within the nominated Designated Authority only to have to repeat the exercise if the structure changes.

RECOMMENDATIONS

GOVERNANCE AND STRUCTURE OF RACING AND WAGERING

Devolve racing functions from the NZRB to the Racing Codes, with the NZRB retaining wagering, gaming and broadcasting functions.

Wagering NZ

1. Rename the NZRB as Wagering NZ.
2. Restructure the composition and amend qualifications for Directors of the Board of Wagering NZ.
3. Stipulate the role, functions and responsibilities of Wagering NZ. Legislation to require Wagering NZ to act in the interests of the general public and the Racing Codes.
4. Initiate a Performance & Efficiency Audit of the NZRB under section 14 of the Racing Act 2003, with an emphasis on operating costs.
5. Transfer all racing functions to individual Codes.
6. Require Wagering NZ to enter into commercial agreement with the Racing Codes for the provision of betting services and the distribution of profits to the Codes.
7. Require Wagering NZ to prepare a statement of intent in consultation with and having due regard to views of the Racing Codes. Rule changes to be approved by the Racing Codes but the Codes cannot reasonably withhold approval. Statement of Intent, annual report and rule changes to be submitted to the Minister.
8. Confirm that Wagering NZ's statutory monopoly on wagering remains in place and confirm existing advertising restrictions on other wagering operators are retained.

Racing Codes

1. Stipulate the role, functions and responsibilities of the Codes and provide for adoption of all racing functions transferred from NZRB.
2. Prescribe a statutory requirement that the constitutions of Codes provide for appointment of at least two independent Board members and set qualifications for independent members.
3. Legislation to provide clauses requiring members of the Boards of the Codes to act in the interests of the public and respective industries as a whole, and for a nominated member to put the interests to which the

duty relates before the interests of the body that nominated the member.

4. Legislation to require Codes to submit their constitutions and any changes thereto to the Minister for approval, to publish their statements of intent and business plans and to submit their annual reports to the Minister for tabling in Parliament. They should also be required to submit their rules to the Minister for presentation to the Parliament.

5. Participation in the Racing NZ forum with the other Codes to address issues of mutual concern.

Racing NZ

1. Establish a consultative forum named Racing NZ to allow the Codes to discuss and agree on matters of mutual concern, including:
   - Entering into commercial arrangements with Wagering NZ
   - Development of the racing calendar in conjunction with Wagering NZ
   - Approving budgets, plans and administrative support to the JCA, RIU and the Laboratory where required
   - Consulting with Wagering NZ on whole of industry issues such as Betting Rules, and financial support of the NZ Equine Research Foundation (NZERF) and the NZ Equine Health Association (NZEHA).

Race Clubs

1. Amend Club Constitutions to provide for appointment of at least two independent Committee/Board members.

2. Require Clubs to submit their constitutions and any amendments to the relevant Code for Board approval.

Integrity & Animal Welfare

1. Appoint a well-qualified independent person to review the overall Integrity model for its efficacy, independence and accountability.

2. Introduce robust processes to establish traceability from birth and the re-homing of the entire thoroughbred herd, as the foundation stone of the industry's ongoing welfare program.

Important Note

The above comments and recommendations should not be construed as detailed drafting instructions. There will no doubt be many consequential amendments required to implement the recommendations.

FINANCES & DISTRIBUTION TO CODES

1. Repeal the Government betting levy and distribute proceeds to Codes based on their respective contribution to the New Zealand economy.

2. Amend Section 16 of Act to provide that NZRB (Wagering NZ) profits are distributed to Codes on following basis:
   - Provided the NZRB (Wagering NZ) surplus is sufficient, each code to receive the same amount in any year that it received in the previous year (where the surplus is less than the previous year, the Codes will receive a proportionate amount based on their previous year's receipts)
   - Additional amounts are to be calculated as follows:
     - 25% on Gross Betting Revenue on Code domestic racing
     - 25% on Gross Betting Revenue on Code overseas racing
     - 50% on each Code's contribution to NZ economy.

3. Provide for the new scheme to be fixed for a period of 10 years unless changes are agreed unanimously between the Codes and approved by Minister.

4. Provide for an independent review of the scheme after 10 years.

5. Continue to fund the racing integrity services from NZRB (Wagering NZ) gaming profits.

6. Allow the NZRB (Wagering NZ) to operate on all sporting events (with or without agreement with National Sporting Organisations) and make payments to sports based on minimum payments prescribed under Section 57 of the Act.

RACING AMENDMENT BILL

It is recommended that the Racing Amendment Bill be enacted at the earliest opportunity either as a standalone Bill as presently drafted or as a component of wider legislation.

The following changes are recommended to the Bill:

1. The role of Designated Authority in terms of the Betting Information Usage Charges should be allocated to the three Codes of Racing and Sport New Zealand. The role of Designated Authority in respect of the Consumption Charges should be allocated to the Department of Internal Affairs or such other Department as is appropriate.

2. Authorisation under each scheme should only be issued to persons licensed or authorised to operate as a wagering operator under the legislation of a relevant Country or State, or licensed by an authorised racing body.

3. For the purposes of the Consumption Charges, the location of a punter should be determined based on the punter's home address.

4. The legislation should also provide for the cancellation, revocation or variation of authorisations where the operator fails to pay amounts due to the Designated Authority or fails to comply with the Regulations or any conditions attached to the authorisation.

5. The legislation should provide for an administrative review of any decision not to approve an application for an authorisation or of any decision to cancel, revoke or vary an authorisation.

6. Revenue generated from the Betting Information Use Agreements should accrue directly to the three codes of Racing and relevant Sporting Authorities in accordance with the respective shares of that revenue generated by them.

7. Revenue generated under the Consumption Charges Scheme and collected by the Department of Internal Affairs should be applied firstly to the administration of the scheme, with any balance distributed in accordance with a formula based on the respective shares of the total investments made currently with the NZRB (Wagering NZ) plus harm minimisation initiatives, etc.

8. Assessment of fees should be based on turnover and the systems should allow bookmakers to claim bet-back credits where they lay off all or part of a bet made with them but only where the bet is laid off with another operator who is liable for the New Zealand charges.

9. The wagering operator is to provide information to allow the monitoring of matters relating to the integrity of New Zealand Racing and Sporting events.

10. The Conditions or Regulations making provision for the inspection of betting records held by the operator to also allow an investigation relating to the integrity of New Zealand Racing and Sporting events. Provision should also be made requiring the operator to allow an audit of the operator's financial records by an independent auditor approved by the Designated Authority with the costs of such audit being borne by the operator.

11. Provide for revenue generated under existing authorisations entered into by the NZRB to be directed to the relevant Code or Sport New Zealand.

12. Consideration should be given to adding custodial penalties for persons found guilty of breaching the legislation.

Notes

Part 2
WAGERING & THE TAB

PART 2 - WAGERING & THE TAB

Introduction

Under the current structure, the NZRB will be unable to deliver the sustainable level of funding required to revitalise the New Zealand Racing Industry and lift TAB operations to a basis of efficiency required to be competitive against international wagering operators of scale.

Due to its lack of scale, the NZRB is not capable of providing a best-in-class proposition to customers, across most areas of core competency, as that demands a level of ongoing capital investment that is substantially more than the NZRB's current capacity.

The optimal outcome for the development and sustainability of the New Zealand Racing Industry is a full operational outsourcing of all domestic wagering, broadcast and gaming operations, to a single third-party wagering and media operator of international scale, under a long term contract, with the NZRB holding the licence.

Current NZRB Business Operations Performance & Racing Industry Funding

The NZRB operates:

- Domestic wagering supported by an internal broadcast operation including race vision capture and broadcast operation for domestic racing events (Trackside). It also sources international racing broadcast and racing information, primarily through an arrangement with Sky Australia, a wholly owned subsidiary of Tabcorp.

The NZRB betting net profit was $137.8million in 2016/17.

- Gaming business within some of its retail outlets under a Class 4 Gaming Licence. The NZRB gaming net profit was $16.2 million in 2016/17.

In addition, the NZRB co-ordinates the sale of New Zealand race broadcast and race information to third party wagering operators in Australia and internationally. The NZRB international broadcasting revenue was $20.6 million in 2016-17, this amount forms part of the net betting profit of $137.8 million outlined above.

In 2016/17 distributions to the Racing Codes were $137.6 million of which $3.8 million was derived from retained earnings. This funding level is below what is required to revitalise the New Zealand Racing Industry and realise a prizemoney base of $100 million or more per annum for the Thoroughbred Code, which this Review deems necessary to arrest the decline of the industry.

The NZRB is forecasting growth from the receipt of race field fees payable by third party wagering operators in Australia and internationally and from executing key strategic domestic initiatives via fixed odds and account customer growth.

NZRB Lack of Scale is Insurmountable

Due to its lack of scale, the NZRB will not be capable of providing a best-in-market offer to meet its customer needs, as it will be unable to sustain the level of ongoing capital investment required to remain competitive with other international wagering operators of scale across most areas of core competency including, but not limited to, totalisator systems, products and takeout rates, customer relationship management services, loyalty programs, data mining systems and analytics, affiliate schemes, integrated vision and form services, digital and retail applications and 24/7 operation.

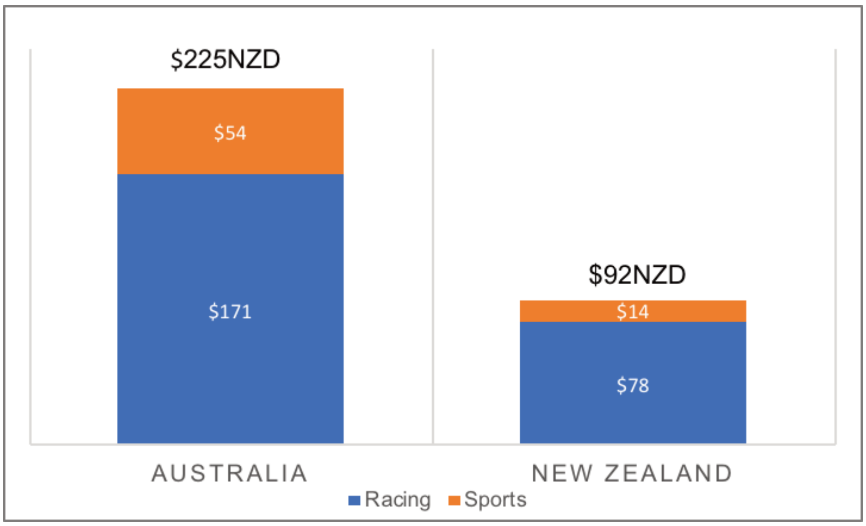
To date around $40 million has been spent on a new fixed odds platform. This will also require further capital to enhance services and product development innovation on an ongoing basis.

Global wagering operators each spend circa NZD$100 million per annum to maintain and enhance systems and products. The NZRB has no capacity to do the same thus can never realistically meet or maintain market and customer expectations.

Furthermore, New Zealand has a small population and a modest propensity to wager on racing and sports when compared to Australia.

New Zealand's population of approximately 3,671,700 over 18 years old spend on average NZD$92 on wagering per annum compared to Australia which has a population of 18,577,000 over 18 years old spend on average NZD$225 on wagering per annum.

Comparative Annual Per Capita Wagering Expenditure



NZRB Management Perspective

The current NZRB management approach is dependent on strategic initiatives being delivered on time and to budget, a gradual shift (not rapid shift) in customer preferences from totalisator to fixed odds, margin improvement, minimal growth in core operating and capital costs, no incremental spending to address anti money laundering (AML) issues and no funding costs.

Furthermore, the existing operational deficiencies are further challenged by increasing customer preference for lower margin products, increasing costs, increasing capital expenditure requirements and increased online competition. The combination of these factors is likely to be of a magnitude (under the current NZRB structure) to materially offset the benefits gained by NZRB initiatives (including anticipated growth from race field legislation, automated fixed odds betting and account customers growth).

Alternative TAB Structures

There are four broad options that should be reviewed when considering the future structure of the wagering operator, namely:

1. Status Quo

There is widespread agreement that despite best efforts the status quo will be unable to deliver the level of funding required to revitalise the New Zealand Racing Industry and lift TAB operations to a basis of efficiency needed to be competitive and benchmarked against international wagering operators of scale.

2. Discrete Business Function Outsourcing Strategy

The NZRB has recently progressed a discrete outsourcing agreement (where it funds capital investment to date circa $40 million) in relation to enhancing its fixed odds wagering systems and product offering.

Whilst this is likely to be more effective than the status quo, this approach will not:

- Provide any material reduction to the NZRB's annual operating expenses ($133.7 million in 2016/17) and in fact may result in this cost base increasing;
- Meet future capital expenditure requirements to maintain a competitive customer offering;
- Allow for the maximisation of total revenue where specific initiatives produce conflicting outcomes that may result in no overall financial growth. By way of example, fixed odds wagering revenue growth may be less than the impact of cannibalised totalisator revenue.

3. Full Operational Outsourcing

Full operational outsourcing of all domestic wagering, broadcast and gaming operations, to a single third-party wagering and media operator of international scale, under a long term arrangement with the NZRB holding the licence and contracting all operational activities to a selected outsourced operator.

The outsource provider would employ all business operational staff. It would also provide an expected leveraged capital expenditure of circa $100 million per annum for product and customer service enhancements. This level of spend is essential and is substantially more than the NZRB's current capacity or future planning intent.

The NZRB would continue to hold the wagering and gaming licence, becoming the counterparty of the operational outsource provider, holding a right of approval over the annual operating and capital expenditure budget of the outsource provider, co-ordinating race dates and Code funding arrangements and holding approval rights over international broadcast and race field arrangements entered into by the Codes.

It is noted that the NZRB has engaged Investec and Cameron Partners as co-advisors to market test potential transaction options with selected parties to understand the:

- Level of strategic interest in the TAB;
- Structure any potential transaction;
- Key commercial terms of any potential transaction; and
- Potential impact of any possible transaction on Racing Industry distributions.

4. Privatisation

Privatisation would involve the corporatisation and subsequent NZX listing or sale of the business to a third party.

There is no appetite within the industry or within Government to pursue this option.

Additionally, with privatisation a significant proportion of the economic benefits of outsourcing would be diverted from the Racing Industry to third party shareholders.

On this basis privatisation is not recommended.

Estimated Benefits of a Full Outsource Model

In May 2017 Deloitte conducted an 'Options Analysis' for NZTR which indicated that an outsourcing agreement would generate significant potential benefits to ensure its funding can grow significantly and the business' future is sound and competitive.

These include:

- Minimum guarantee payment to the Racing Industry that exceeds the FY18 level
- Cost synergies
- Revenue synergies
- Up-front payment
- Transfer of transaction and performance risk
- Leverage of capital expenditure from outsource operator of international scale
- Future regulatory compliance costs
- Service level agreements with outsource provider to realise timely product and customer outcomes.

Maximising Racing Industry Sustainability & Growth

Whilst the outsourcing project will increase funding to the Racing Industry, additional revenue and a competitive product suite for customers are also required and thus the following inclusions should be sought:

- Licencing of virtual racing games;
- Removal of legal restrictions preventing the NZRB from acquiring class 4 gaming licence venues;
- Approval of in-the-run race betting;
- Approval of sports betting on events where there is no agreement with a National Sports Organisation.

Responsibilities of Outsourcing Party under Recommended Option

The third-party outsource operator will be responsible for the:

1. Conduct, delivery and management of all New Zealand wagering operations conducted under the NZRB wagering licence.
2. Conduct, delivery and management of domestic race broadcast arrangements on behalf of the NZRB (on a non-exclusive basis).
3. Management of all domestic gaming operations conducted under the NZRB Class 4 Gaming Licence.
4. Employment and management of all wagering, gaming and broadcast staff (excluding NZRB board members, wagering contract management, inter-Code coordination staff, the Racing Integrity Unit, racing laboratory services, Judicial Control Authority and the Racing Codes).
5. Provision of all CAPEX required to operate the wagering, gaming and domestic broadcast businesses.
6. Payment of funding of to the three Codes of racing at a minimum guaranteed level.
7. Race vision capture on behalf of Codes/Race Clubs.
8. Payment of third party product fees.
9. Management of customer accounts and activities.
10. Implementation of harm minimisation and responsible gambling policies.
11. Regulatory compliance (including AML).
12. Payment of all applicable New Zealand gambling and corporate taxes.
13. Maximising wagering earnings from NZ racing vision in existing and new international markets.

Under the outsourcing arrangement the structure and responsibilities of the NZRB and Codes will be amended and are detailed in this Report, in Part 1.

Identified Outsourcing Risks and Mitigation

In the stakeholder meetings that were conducted a number of potential risks were raised regarding a potential outsourcing arrangement.

A summary of these risks and potential mitigations are set out in the table below:

RISK	MITIGATION
1. Need for ongoing investment	Outsourcing will significantly reduce the current level of NZRB underlying investment risk by: • Leveraging on the significantly increased investment capabilities of a wagering operator of international scale; • Financing and investment risk moves from NZRB/Racing Industry to the outsource operator; • Ensuring the contractual provisions with the operator include mandatory obligations in relation to investment prioritisation.
2. Costs of realising synergies	Contractual provisions will: • Transfer the transaction and performance risk from NZRB to the wagering operator; • Provide a minimum funding obligation to the Racing Industry above FY18 distribution levels.
3. Maintenance of Wagering Exclusivity in New Zealand	Under the recommended proposal: • NZRB will remain the holder of the licence and will contract with the wagering operator to undertake all operational activities, as such there should be no risk increase; • It is intended that the New Zealand government issue NZRB with a long-term exclusive wagering licence.
4. Maintenance of income tax exemption for NZRB and the Racing Industry	Under the recommended proposal: • NZRB will remain the holder of the licence and will contract with the wagering operator to undertake all operational activities, as such there should be no risk increase; • Is conditional upon an appropriate tax advice confirming the maintenance of the current tax status for the NZRB and the Racing Industry; • Wagering Operator would be responsible for the payment of income tax on their profits.
5. Maintenance of Class 4 Gaming Licence	Under the recommended proposal: • The NZRB will remain the holder of the licence and will contract with the wagering operator to undertake all operational activities, as such there should be no risk increase; • It is intended to seek the removal of restrictive provisions (where premises have been previously licenced within the last 5 years by another class 4 gaming operator) currently impacting NZRB's Class 4 gaming licence.
6. Advertising restrictions	Under the recommended proposal: • The NZRB will remain the holder of the licence and will contract with the wagering operator to undertake all operational activities, as such there should be no risk increase; • It is intended to seek to amend the compliance conditions to allow the NZRB to undertake and fund prosecutions of breaches under the Racing Act.
7. Unlikely to diversify into adjacent markets	Under the recommended proposal: • The NZRB will remain the holder of the licence and will be part

	of the development of and hold an approval right over the wagering strategy;
	• It is intended to seek the government to licence the NZRB to operate virtual racing and other wagering and gaming products.
8. TAB restructure unlikely to change Racing Industry fundamentals	The proposal ties TAB structural reform to substantial Racing Industry reform.

Next Steps in the Outsourcing Process

To prepare for the outsourcing process the following agreements and arrangements will need to be established and/or developed. These will include:

1. Establishment of a Board Subcommittee to select outsourcing wagering operator
2. Outsource Contract between the NZRB (Wagering NZ) and Wagering Operator
3. Performance Guarantee to the NZRB (Wagering NZ) from Wagering Operator
4. Distribution agreement and product supply agreement between the NZRB (Wagering NZ) and the Racing Codes.
5. Confirm the assignment of Intellectual Property (IP) by the Clubs to the Codes.

RECOMMENDATIONS

1. Progress full operational outsourcing of all domestic wagering, broadcast and gaming operations, to a single third-party wagering and media operator of international scale, under a long term arrangement with the NZRB (Wagering NZ) holding the licence and contracting all operational activities to a selected outsourced operator.

2. Seek the approval for the NZRB (Wagering NZ) to:
   - Conduct virtual racing games;
   - Remove legal restrictions in Section 33(3) of the Gambling Act that prevent the NZRB (Wagering NZ) from acquiring class 4 gaming licence venues;
   - Conduct in-the-run race betting;
   - Conduct betting on sports where there is no agreement with a national sports organisation.

3. Complete the chain of agreements and arrangements to prepare for the outsourcing process including the assignment of Intellectual Property (IP) by the Clubs to the Codes.

Part 3
CLUBS, RACECOURSES & PRIZEMONEY

PART 3 – CLUBS, RACECOURSES & PRIZEMONEY

Introduction

In 2016/2017 there were 50 thoroughbred racecourses in New Zealand, including Rangiora that is now used only for training, and 4 separate training venues at Cambridge, Foxton, Opaki and Levin. In 2017/2018 there were 49 racecourses scheduled to be used for racing. However, one Club decided to race permanently at another venue, and one Club did not race because of redevelopment after storm damage in 2013 but is scheduled to race in 2018/19, so making for an active total of 48 racecourses. 28 of these 48 racecourses are in the North Island and 20 in the South Island. They are shown on Map 1. There is a total of 62 thoroughbred Race Clubs in New Zealand.

Racecourse consolidation, or rationalisation or regionalisation to which it has often been referred, has long been a major issue for New Zealand thoroughbred racing, and for the three codes generally.

The Reid Committee on Racing in 1965 said "some scheme of regionalisation would be of ultimate benefit to the sport of racing and to the ability of the clubs affected continuing in existence and to provide adequate stakes and facilities, not only for owners and trainers, but also for the public generally". The Reid Committee went on "However, we are also acutely aware of the fact that no scheme of regionalisation has any chance whatsoever of succeeding if it is sought to be achieved on a voluntary basis. On what has been placed before us we are satisfied that no scheme of regionalisation has any hope whatsoever of succeeding unless it is done on a mandatory basis".

The McCarthy Royal Commission on Racing was then established in 1969 due to increased financial pressures on racing. In its 1970 report, the McCarthy Commission noted that the Reid Committee's recommendations on regionalisation had not been put into effect. The McCarthy Commission itself strongly recommended the regionalisation of racecourses and clubs. It said "We firmly believe that the benefits of regionalisation cannot be denied, nor can its greater implementation be put off indefinitely. The industry's finances demand a reduction in the spread of money spent on maintenance and improvements on an excessive number of racecourses". The McCarthy Commission went on "As earlier recommendations and movements for voluntary regionalisation have not met with sufficient success, we believe with the Reid Committee that it may even have to be imposed for the benefit of the industry as a whole".

Further, the McCarthy Commission commented that "Regionalisation could result in making the capital of the clubs which move available for improving the courses on which they race. In the event of the dissolution of a club, the Authority (the then National Racing Authority) will be in a position to urge on the Minister the claims of the industry to that club's assets".

In concluding, the McCarthy Commission recommended that the Authority be given all the powers necessary to ensure a policy of regionalisation "progressively and reasonably quickly" and specifically suggested a list of venues to be closed. It added that the Authority should have the powers such that it could withdraw financial support from clubs reluctant to move or could even (although they said perhaps this would be in the last resort) recommend to the Minister that a licence be granted on the condition that a club should race at another course.

All these McCarthy Commission findings are as relevant today in 2018 as they were in 1970.

At the time of the McCarthy Commission report in 1970 there were 58 racecourses in New Zealand being used for thoroughbred racing. Given that nearly 50 years on there are still 50 racecourses in New Zealand, with 48 being scheduled for racing in 2017/18, it is obvious that the extent of regionalisation has been negligible. It seems that there has at various times been strong opposition to regionalisation from the major political parties, from local government, from Race Clubs, from some industry participant groups, from other potentially affected community stakeholders and private individuals, and that this opposition has to date won out. And this, we believe, to be to the detriment of the health of the New Zealand thoroughbred racing industry.

Since 1970 there have been numerous other Government reports, independent consultant's reports, internal racing industry reports, and submissions from various industry participant groups and individuals on the state of the New Zealand racing industry. Many of these have referred to the need for racecourse consolidation, particularly as competition for the leisure dollar has increased and because the financial circumstances of the industry have continued to worsen, on course attendances and on course betting turnovers have declined and as more people are watching and betting on racing away from the racecourse.

In particular, we are aware of the Ministerial Committee on Race Betting 1991, the Ministerial Task Force on Racing 2000 (which said that a reduction in thoroughbred racing venues was "the only option" and referred to submissions recommending that between 1 and 30 thoroughbred venues be retained), NZTR's Venue and Infrastructure Review Report 2007 (which suggested that 26 venues would meet the industry's needs but concluded that maintaining 37 venues was "imperative" for strategic reasons) and the various independent Performance and Efficiency Audits of the former NZRIB, the NZTAB and now the NZRB. We have also read the major independent consultant's reports that have been completed and reviewed submissions from various industry participant groups and individuals.

Suffice it to say, given the current financial state of the New Zealand thoroughbred racing industry, we believe that in 2018 there is a stronger case than ever before for racecourse consolidation to be an urgent priority for the NZ Government, the NZRB and NZTR. Two PricewaterhouseCoopers observations in their report to the Minister for Racing in 2002 are considered to be more instructive today than they were back then. The observations were "This is an industry with an infrastructure designed to support the dynamics of an earlier era" and that "funding from gambling has 'sheltered' the industry from true market signals and relevance", and particularly in terms of the number of racecourses required.

In preparing this Part of the Review on racecourse venues and consolidation, we are looking to the future. We need a racing infrastructure that will serve New Zealand thoroughbred racing well for the next 10 to 20 years, even allowing for the further changes that are likely to be required along the way.

Arguments in Favour of Racecourse Consolidation

Arguments used in the past in favour of racecourse consolidation in New Zealand still generally apply today. It has long been argued that racecourse consolidation would:

- Improve the capital structure of the industry by avoiding the wasteful duplication of facilities on little used or unpopular courses
- Save on total racecourse annual operating costs
- Facilitate the focus for industry funding on the best racecourses in the best locations
- Provide additional industry funding by the sale of closed racecourses on freehold land, particularly if it could be made compulsory under the law for the proceeds to go to the industry and not to the Club/s or to other parties (see later in this Part).

However, in 2018 the main drivers for racecourse consolidation are assessed to be somewhat different from those in the past. Historically, the main drivers seem to have been cost savings from closing racecourses and revenue generation by the sale of racecourse land. This is still the case as using industry funding to maintain some 50 venues, most of which now have outdated racing and facilities infrastructure, as reviewed later in this Part, would be a flawed use of limited industry resources, and especially when potentially significant proceeds might be generated by the sale of racecourse land. But today the other main driver must be revenue growth.

By closing venues and by maintaining those that remain to the highest possible standard that the industry can afford, in terms of racing infrastructure and other facilities, should result in better racing, possibly better attendances, a better experience for owners, trainers and other patrons and opportunities to improve non-racing income. But much more importantly, it should lead to better betting turnover off course, both domestically and internationally, due to better tracks, better racing, more consistent form lines and a better TV vision presentation of the product which will be further enhanced with the introduction of HD coverage.

In this connection, we were advised that one international computer betting organisation had researched some 10 years of New Zealand thoroughbred racing form and results and concluded that their system could not be assured of making a profit, which it did in other countries in which they operated, even after allowing for potential rebates on significant betting turnover. Their conclusion was that the randomness and variance of form and results in New Zealand was probably unique with the main reasons being the generally poor state of tracks, the amount of wet track racing and wide deviations in track conditions as between tracks at the same time of year. These views are important as a robust and appealing betting product is critical to the future of the New Zealand thoroughbred racing industry.

Indeed, the unsatisfactory state of many New Zealand tracks and facilities, and the "shabby" look of much of New Zealand racing as a TV product, is a significant impediment to the industry achieving success. New Zealand thoroughbred racing needs to be showcased to New Zealanders and to the world. The key is a significant increase in the number of meetings at venues with better tracks and facilities. New Zealand needs to move towards exceptional racing on quality tracks.

Put simply, a large number of meetings will have to be pushed up the line from lesser venues to the better venues, which venues in turn need to be upgraded to an acceptably good standard. Given that the foal crop and the racehorse population has been in slow decline in New Zealand this means the total number of meetings and races cannot be increased in the foreseeable future. So, it follows, ipso facto, that a significant number of racecourses must be closed.

For the New Zealand thoroughbred racing industry, it is not only the downside of maintaining too many racecourses that needs to be considered but, more significantly, the upside foregone by doing so.

Arguments Against Racecourse Consolidation

Arguments against racecourse consolidation in New Zealand have included:

- The racing industry benefits from racecourses in many locations as this helps introduce people to racing and increases interest.
- The New Zealand topography means that New Zealand needs more racecourses than some other countries.
- There is a special place in New Zealand racing for racecourses that hold only 1 or 2 meetings away from the major cities as these are popular and are often special social events.
- There is much community support for racing across the country and closing tracks would have an adverse impact on community life and on employment in some locations.
- The rights of clubs and their members should be respected and they should not be required to close their racecourse unless they agree.
- Clubs will lose their identity if required to move to other racecourses.

It is our view that most of these arguments relate, as PricewaterhouseCoopers put it so well, to "the dynamics of an earlier era". Racing is increasingly becoming an away from the racecourse betting and entertainment product. For those people that wish to attend meetings, commuting is easier than ever before. Yes, there are the iconic I or 2 race meeting venues, and these should be retained if at all possible. But there are other 1 or 2 meeting venues where public support is minimal and it seems that, other than for the major venues, all other venues in New Zealand get little support for more than a few meetings per year.

Indeed, it seems that community support for "bread and butter" racing is often exaggerated. We note that while a community might have a healthy interest in racing and betting, in many cases this interest does not extend to supporting the local venue. This is common place now in most racing jurisdictions around the world.

With respect to Clubs that move losing their identity, when Clubs have moved in the past it has often worked out reasonably well for all parties.

One exception to low levels of community interest is Ireland which has about the same population as New Zealand, ran 357 thoroughbred race meetings in 2017 compared to New Zealand's 2017/18 schedule of 321, and still had an average attendance across all meetings in 2017 of 3,589 compared to New Zealand's in 2016/2017 of 1,174.

It is noted that the Irish thoroughbred industry is also about three times the size of New Zealand's and receives much Irish Government support. According to a Deloitte report of 2017 the Irish thoroughbred industry's Direct and Stimulated Expenditure contribution to the Irish economy in 2016 was Euro 1.84 billion or $3.13 billion (New Zealand $1.10 billion in 2016/17) and it employed directly or indirectly, on a FTE basis, a total of 29,800 people (New Zealand 9,621). The Irish thoroughbred foal crop is also about three times that of New Zealand at 9,689 foals in 2017 (New Zealand 3,448 in 2016/17).

The case is also often put that if a racecourse is not costing the industry money, or much money, why should it be closed. Unfortunately, this is a fallacious argument. No racecourse in New Zealand pays its way. Racecourses and Race Clubs exist today only because of the income generated by the betting public, the significant losses that owners are prepared to sustain and the government taxation arrangements that apply. Others argue that Race Clubs should better understand that licences to run race meetings are a privilege and not a right.

Comparison of Racecourse Utilisation Intensities

In order to provide some high-level guidance as to the optimal number of thoroughbred racecourses in New Zealand, it is relevant to compare racecourse utilisation intensity rates in New Zealand with those in some other countries.

In 2017/18, 321 race meetings were due to be held in New Zealand on 48 racecourses, so an average of 6.7 meetings per racecourse. 14 racecourses were scheduled to hold only 1 meeting, 4 to hold 2 meetings, 12 to hold 3 to 7 meetings, 8 to hold 8 to 12 meetings, 6 to hold 13 to 17 meetings, and 4 to hold between 18 and 23 meetings. On the major 8 racecourses an average of 15.4 meetings were scheduled.

NEW ZEALAND RACECOURSES – SCHEDULED MEETINGS 2017/18

NUMBER OF MEETINGS	NUMBER OF VENUES
1	14
2	4
3-7	12
8-12	8
13-17	6
18-23	4
TOTAL 321 MEETINGS	48 VENUES

Comparisons with Australia are not relevant. Australia has too many racecourses but there has not been the economic raison d'etre to close many Australian tracks given the strong financial situation of the Australian thoroughbred racing industry, and particularly in NSW and Victoria, and there have been other priorities as well as political opposition. In Australia the average is 7.7 meetings per racecourse.

A more relevant comparison is again Ireland, a country with a similar population at 4.7 million people and a similar climate, although it is a smaller country with different topography. In Ireland in 2017 they held 357 race meetings on 26 racecourses (including one synthetic track that hosted 39 meetings), or an average of 13.7 meetings per racecourse. About 50% of the meetings were flat meetings, about 40% national hunt meetings and 10% mixed meetings. Horse Racing Ireland have advised that they could run the same number of meetings on fewer tracks than 26 but that "closing a racetrack in Ireland is harder than closing a hospital". They have also said that they could hold the same number of meetings as flat only meetings on the 26 tracks or even less than that. In Ireland some of the tracks are very wide which helps them run meetings on consecutive days on the same racecourse, and more meetings per racecourse overall. But all told, the Irish experience suggests that in New Zealand scheduling to hold 321 race meetings on 48 racecourses, or only 6.7 meetings per racecourse, is way too low a racecourse utilisation intensity rate.

The British experience is more extreme to that in Ireland. In Britain in 2017 they held 897 flat meetings on 36 racecourses (including 6 synthetic tracks with one racing 58 times), or an average of 24.9 meetings per racecourse.

The most extreme example of a high racecourse utilisation intensity rate for a grass track is the Hong Kong Jockey Club's Sha Tin racecourse in Hong Kong. In 2017/18 Sha Tin was scheduled to hold 57 meetings, including 4 full meetings and 61 other races to be run on their synthetic track. This schedule equates to 46 full meetings being held on their turf course. It is acknowledged that the Hong Kong climate, the quality of the turf racing surface and high standards of maintenance all contribute to facilitating this high utilisation rate.

RACECOURSE UTILISATION INTENSITY RATES – 2017	
COUNTRY	MEETINGS PER VENUE
NEW ZEALAND	6.7
IRELAND	13.7
UNITED KINGDOM	24.9
HONG KONG (SHA TIN)	46.0

Future Venue Plan Joint Working Group

We now refer to the work of the Future Venue Plan Joint Working Group.

In 2018 a Future Venue Plan Joint Working Group was established between the NZRB and the three Codes to develop a future infrastructure plan for the NZ racing industry. We have reviewed a number of preliminary reports by the Working Group, including copies of the information packs and the power point presentations delivered at their meetings on 14 May, 6 June and 6 July, and attended one of the Working Group meetings.

Importantly, as part of their process, the Working Group in early 2018 sent a survey to all NZ racing clubs and recognised participant groups seeking input. The Working Group received a total of 88 responses and one additional response after the feedback period closed. While there were varying views on industry priorities, the infrastructure and facilities improvements required and the optimum number of venues in New Zealand, there was an absolute consensus on the need for change. The view from all submissions was that the status quo was clearly not an option if the industry is to be not only sustainable, but successful in 10 years' time.

That said, the responses indicated that the main issues facing the New Zealand racing industry were pressures from breeders, owners, and trainers to increase prizemoney, the continued decline in the foal crop, the decline in gaming grant funding, the profitability and sustainability of Race Clubs, deteriorating facility infrastructure and investment, and the ongoing and increasing health and safety costs facing the industry.

With respect to the optimum number of venues for all three codes in total across all of New Zealand, responses ranged from a low of 3 to a high of 33.

The Joint Working Group is due to complete a draft venue plan in August. It proposes then to consult with industry participants and to have its final report completed before the end of 2018.

Detailed Consideration of Thoroughbred Racecourses

We have completed a review of all of New Zealand's thoroughbred racecourses and have prepared recommendations on what venues should remain, what venues should be closed and what new racing and infrastructure facilities should be established over what suggested time period and at what estimated cost. It is not proposed that any Clubs cease to exist but that they race at a different nearby venue if their racecourse is to be closed. Based on our recommendations, a high level indicative racing schedule by venue has also been prepared for the five-year period 2019/20 to 2024/25 as well as for out to 2026/27, assuming that a new Waikato Greenfields racing and training venue might be in operation by 2026/27 as is discussed later.

We have also considered what changes to the Racing Act and other legislation will be required if the thoroughbred racing industry and the community is to properly benefit from the sale of surplus racecourse land, and this is discussed later in this Part.

Significant input has been obtained from NZTR and the NZRB, discussions have been held with many industry participants, and visits have been made to 23 racing and/or training venues where meetings were also held in most cases with senior race club representatives.

Appendix A provides relevant details on all 50 racecourses (if Wyndham, Waimate and Rangiora are included), the 48 that were scheduled for racing in 2017/18, the 4 training venues and the 62 Race Clubs. Again, much of the information in this Appendix A has been provided by NZTR but to the extent possible confirmed by our own investigations, racecourse inspections and assessments.

To keep it simple, we have divided New Zealand's racecourses into three tiers in Appendix A, they are Tier 1 (major), Tier 2 (provincial) and Tier 3 (community). Within each tier different levels of races would be conducted appropriate to that Tier. We are proposing that only 4 venues be classified as full Tier 1 venues, those being Ellerslie, Te Rapa, Awapuni and Riccarton Park. Trentham is classified as Tier 1 for its summer meetings only.

The information included in Appendix A is Venue, Race Club/s by Venue, Racecourse Land Ownership, Racing/Training/Harness Usage, Tier Category, Race Meetings Scheduled 2016/17 and 2017/18, Racing Infrastructure and Facilities Infrastructure Ratings, Required Capex for Racing and Facilities, Club Net Assets, Club Net Profit/Loss, Club Operating Cash Flow, Club Net Cash Flow. Club Cash Balance End 2016/2017, Land Area, Rateable Land Value and Land Saleable/Unsaleable.

For reference, Appendix A is divided into three sections, they are Venues Proposed to be Retained, Venues Proposed To Be Considered For Closure, and Venues/Clubs With Significant Training Only And Not Racing. Details on this are discussed later in this Part.

A number of metrics have been deliberately excluded from Appendix A. Average betting turnovers (on-course, domestic off-course and export) are not included because they vary not only by venue but by day of the week, time of the year and quality of the race meeting. But as a general comment the better meetings at the better venues on weekends or public holidays or during the holiday season do best. North Island total betting is generally better than South Island total betting, with Riccarton Park generally doing better than other South Island venues. Average attendances are not included as they vary significantly for the same reasons, and although some of the smaller Clubs can get good attendances at one or two meetings they generally get poor attendances otherwise. A measure often used in New Zealand racing, which is the Net Stakes/Total Funding Ratio, is also excluded as it can be significantly influenced by factors such as a Club's commitment to investing in their racing and training facilities, or their ability to drive on-course turnover depending on their location and the timing of their meeting. We believe this ratio can be a misleading figure.

When looking at venues and Clubs in total, there are a number of key take outs from Appendix A. They are:

- The current Racing Infrastructure Rating (based primarily on information from NZTR) for all 48 utilised racecourses, on a scale from 1 (extremely poor) to 10 (excellent), is 4.3 indicating that racing infrastructure in 2017/18 is on average of less than an acceptable standard. New Zealand does not have one track with a high-quality racing surface.
- The current Facilities Infrastructure Rating (based primarily on information from NZTR) for all 48 utilised racecourses, on a scale from 1 (extremely poor) to 10 (excellent), is 3.7 indicating that facilities infrastructure in 2017/18 is on average of an unacceptable standard and worse than the state of racing infrastructure. Many buildings are in extremely poor condition, uninhabitable, condemned and in need of demolition.

- The total combined Net Profit of all 62 Clubs for 2016/17 was only $1.296 million, the combined Net Cash Flow was $1.241 million and the combined Cash Balance of all the clubs at year end was $13.066 million with about $8 million of this with 6 Clubs. These numbers by themselves are not necessarily a cause for major concern, as Race Clubs are essentially not for profit organisations and should reinvest surplus funds in their venues or in their racing and/or training activities. However, when considered against the back drop of the considerable capital expenditure required on racing and facilities infrastructure improvements they indicate little capacity by the great majority of Clubs to contribute to, or fund, a high level of infrastructure investment or even satisfactory facilities maintenance expenditure. Indeed, the racing and facilities infrastructure has declined to its now unacceptable standard because of significant funding shortfalls.
- Total capital expenditure requirements to bring each venue up to a good standard relative to its Tier, and assuming all existing venues were to be retained and three synthetic tracks constructed at Cambridge (we propose then to be both a racing and training venue), Awapuni and Riccarton Park at a cost of about $10 million each (see later discussion in this Part) have been estimated. The total estimate is $294 million, comprising $133.5 million on racing infrastructure and $160.5 on facilities infrastructure, including work to satisfy New Zealand's earthquake building damage mitigation requirements. This level of expenditure on all existing venues is considered to be excessive, unacceptable and an unsatisfactory allocation of industry funds, and supports the case for closing a significant number of racecourses.
- If a new major Waikato Greenfields racing and training facility were established within say 8 to 10 years, as is being proposed by NZTR, the estimated capital cost would be about an additional $110 million and it could be more than this depending on exactly what infrastructure is built. That said, the cost of Pakenham's new Tynong racing and training venue in Victoria, opened in 2015, is to date about $A 100 million, including $A 10 million for land acquisition. The Pakenham facility comprises a main turf track, a Polytrack synthetic racing and training track, lights on both these tracks, a turf training track, 2 sand training tracks, an event/functions/race day centre, race day administration and jockeys' rooms, bulk excavation and water storage dams, 2 tunnels, horse stalls, 2 trainer allotment sub divisions, a rising main sewerage system, a marque area and associated infrastructure, and a maintenance building.

  We believe that the cost of a Waikato Greenfields site could be covered by the sale of Cambridge (then both a racing and training venue), Te Rapa and Te Awamutu racecourses. The Cambridge synthetic track would then have served as an important bridge to the Waikato Greenfields Project. The Greenfields site could also possibly include provision for harness and greyhound racing, and all activities currently held at the Cambridge Raceway.
- There are currently 28 racecourses that are owned freehold by Race Clubs, 7 are part or jointly owned freehold, 5 are Racecourse Reserves and 10 are Council Leases or other Leases.

- The total rateable land value of existing racecourse freehold property is about $135 million based on current zoning. It is understood that the true commercial value of some racecourse land could be 5 to 10 times or more of their rateable land value, particularly if the racecourse is near a major population centre and if the land can be rezoned for residential, affordable housing, retirement village, hospital or some other types of property development that might serve the community interest. This matter is relevant not only for any freehold racecourse land that might be saleable as a result of venue closures, but also for remaining venues and Clubs that have surplus land to requirements. Further, the closure of other racecourses that are not owned freehold by clubs could offer the opportunity for Reserve or Council land to be made available for development in the community's best interest and to also benefit racing.

NEW ZEALAND RACECOURSES – OWNERSHIP

OWNERSHIP	NUMBER OF VENUES
FREEHOLD	28
PART FREEHOLD OR JOINTLY OWNED FREEHOLD	7
RACECOURSE RESERVE	5
LEASED	10
TOTAL	50*

* Includes 2 Racecourses not used

Proposed Future Venue Plan for Thoroughbred Racecourses

In determining a future venue plan for thoroughbred racecourses in New Zealand we have considered all the information in Appendix A. We have also assessed all other relevant information that we have obtained including detailed betting turnover data, meeting attendance records, numbers of horses trained and starters produced by venue, animal welfare issues, health and safety issues, population figures, remoteness, topographical barriers and proximity between racecourses by region.

We have endeavoured to establish the optimum number of racecourses to conduct about 310 meetings per year which is NZTR's current plan. We have taken into account the racing and facilities infrastructure improvements and capital expenditure necessary, consistent with each venue's Tier level, and sought if possible to retain at least one racing venue in each of the regions of New Zealand where there is racing currently and for these venues to be in the best possible locations.

As a result of this assessment, we propose that the following existing 28 venues be retained for at least the next 8 to 10 years as per the first section of Appendix A. If by say 2026/27, in 8 years' time, a new Waikato Greenfields racing and training venue is in operation, then Te Rapa and Te Awamutu should be closed.

The proposed 28 remaining venues are:

- **Ellerslie**
- **Matamata**
- **Te Aroha**
- **Pukekohe**
- **Te Rapa***
- **Te Awamutu***
- **Tauranga**
- **Ruakaka**
- **Taupo**
- **Te Teko**
- **Awapuni**
- **Trentham**
- **Hastings**
- **Otaki**
- **Wanganui**
- **New Plymouth**
- **Waverley**
- **Tauherenikau**
- **Gisborne**
- **Blenheim**
- **Riccarton Park**
- **Ashburton**
- **Wingatui**
- **Ascot Park Invercargill**
- **Kumara**
- **Cromwell**
- **Waikouaiti**
- **Riverton**

* Venue to close after the Waikato Greenfields Project is completed in 2026/27.

Importantly, retaining these 28 venues will mean that there is still thoroughbred racing in every region of New Zealand where racing is currently conducted, that is in all regions other than the Tasman region in the north – west of the South Island.

We recommend that three synthetic tracks for racing and training be built starting in 2018/19 at Cambridge, in 2019/20 at Awapuni and in 2020/21 at Riccarton Park. Given a track construction and commissioning period of no more than 9 months, racing on the synthetic tracks should start at Cambridge in 2019/20, at Awapuni 2020/21 and at Riccarton Park in 2021/22.

Plans are already well advanced for the construction of a synthetic track at Cambridge and, subject to funding being agreed, construction could commence next January with training to start from no later than May and racing from no later than July/August 2019. Aside from racing, the proposed synthetic track at Cambridge is vital for its training needs.

These three synthetic racing and training tracks are proposed because New Zealand's weather, particularly in winter, can severely limit the training and trialling of horses and a good number of meetings are abandoned in full or abandoned before all races can be run. In 2016/17, 13 full meetings were abandoned and 7 abandoned during the course of a race meeting. In 2017/18, 9 meetings were abandoned in full and 9 abandoned during a race meeting. These numbers do not include meetings postponed and transferred to another date because of bad weather, which were 12 meetings in 2016/17 and 5 in 2017/18.

The Race Clubs at each of Cambridge, Awapuni and Riccarton Park strongly support the need for synthetic racing and training tracks at their venues.

NEW ZEALAND RACECOURSES – MEETINGS ABANDONED		
ABANDONMENTS	2016/17	2017/18
FULL	13	9
PART	7	9
TOTAL (FULL & PART)	20	18

As to the number of race meetings that could be held on these synthetic tracks, it is reasonable to assume that anywhere between 20 and 40 meetings is realistic. On the now 3 years' old Pakenham Polytrack track at Tynong in Victoria they race up to about 30 times per year, with 20 scheduled synthetic track meetings plus transferred meetings. At the one synthetic track in Ireland (Dundalk) they race almost 40 times per year, and at one of the 6 synthetic tracks in Britain (Wolverhampton) they race almost 100 times per year. With these 3 proposed New Zealand synthetic tracks being in each of the Northern, Central and Southern areas, they should be available to accommodate transferred meetings as a result of bad weather and track conditions at other venues in each area. This will be of financial benefit to the industry.

It is acknowledged that synthetic race tracks have had a chequered history. But they have improved considerably and are now more popular than ever before. For example, Pakenham's synthetic track at Tynong has proved a great success and Racing Victoria are now proposing to build a new one at Ballarat. The main types of synthetic racing and training surface include Polytrack, Pro-Ride and Tapeta. Track design and maintenance are other key requirements for a good synthetic track. The Pakenham experience has been that routine maintenance costs for a synthetic track are cheaper than for grass but that a major renovation costing about $300,000 is probably required about once every 3 years. NZTR will need to consider carefully the best type of synthetic racing and training surface for each of the proposed 3 synthetic tracks in New Zealand and ensure that the track design is of the highest standard.

It should also be acknowledged that betting turnover on new synthetic tracks is likely to be lower initially than for comparable meetings on good grass tracks, but over time should improve to a comparable level. Pakenham suggest that the best times to run meetings on synthetic tracks are in winter, and possibly also the winter shoulder months, when trainers, owners and punters are much more inclined to support synthetic track race meetings rather than race meetings on heavy grass tracks. There are also additional betting turnover benefits generated by synthetic track racing from hosting otherwise abandoned meetings or hosting transferred meetings due to adverse weather conditions on better dates. These have been the experiences at Pakenham and at other synthetic track venues internationally.

It is estimated that the total capital expenditure required at these 28 racecourses plus Cambridge over the next 6 years, that is 2018/19 to 2024/25 inclusive, is $190 million, comprising $101.5 million on racing infrastructure and $88.5 million on facilities infrastructure. The $190 million is after deducting any significant longer term "stay in business" capital expenditure at Te Rapa and Te Awamutu assuming the Waikato Greenfields venue is to be operational in 8 to 10 years.

This is considerably less than the $294 million that would have to be spent on all 48 racecourses if none were closed and all three synthetic tracks built, even if such funding were to be available. And then there are the significant upsides referred to earlier from having more and better racing on better tracks.

NEW ZEALAND RACECOURSES – REQUIRED CAPEX FORECAST

Racecourses	Forecast CAPEX
28 Retained Racecourses plus new synthetic track racing	
at Cambridge and 3 Synthetic Tracks in Total	$190.0M
48 Racecourses with no closures plus new synthetic track racing	
at Cambridge and 3 Synthetic Tracks in Total	$294.0M

The main reasons for proposing the retention of each of these 28 racecourses, and the major capital projects required, are set out below. Note that rebuilding a course proper could mean up to 2 years without racing, a reconstruction 12 to 18 months without racing and a renovation 6 to 12 months without racing. The retained venues are:

Ellerslie – Venue with 18 race meetings in 2017/18. Best racecourse venue in New Zealand. Excellent location in Auckland. No training. Requires rebuilding of course proper, some general facility improvements and landscaping. Freehold.

Matamata – Venue with 14 race meetings in 2017/18. Good location. Major training centre. Requires improved facilities and landscaping, and renovation of course proper. Freehold.

Te Aroha – Venue with 14 race meetings in 2017/18. Good location. Key jumping venue. Training. Requires improved facilities and landscaping, and reconstruction of course proper. Freehold.

Pukekohe – Venue with 15 race meetings in 2017/18. Good location. Training. Requires general facility improvements and landscaping. Freehold.

Te Rapa – Venue with 19 race meetings in 2017/18. Excellent location.

Training. Average infrastructure. Would require significant improvements to racing and facilities infrastructure if retained long term but we propose that the Waikato Greenfields venue will be built and Te Rapa closed in 2026/27. Freehold.

Te Awamutu – Venue with 7 race meetings in 2017/18. Good location. Training. Poor infrastructure. Requires some improvements to racing and facilities infrastructure if it is to retained long term but we propose that the Waikato Greenfields venue be built and Te Awamutu closed in 2026/27. Freehold.

Tauranga – Venue with 12 race meetings in 2017/18. Good location. Training. Requires demolition of public grandstand and rebuild of new facility. Improved other facilities and landscaping. Leased.

Ruakaka – Venue with 10 race meetings in 2017/18. Fair location. Excellent winter racing surface. Retains racing in Northland. Training. Requires demolition of public grandstand and rebuild of new facility. Improved other facilities and landscaping. Freehold.

Taupo – Venue with 4 race meetings in 2017/18. Fair location. Training. Retains racing in the centre of the North Island. Requires general facility improvements and landscaping. Leased.

Te Teko – Venue with 2 race meetings in 2017/18. Fair location. No training. Early season trial centre. Helps to retain racing in the Bay of Plenty. Requires general facility improvements and landscaping. Leased.

Awapuni – Venue with 18 race meetings in 2017/18. One of the three best racecourse venues in New Zealand. Excellent location. Major training centre. Requires rebuilding of course proper, a synthetic track and some minor other improvements. Freehold.

Trentham – Venue with 11 race meetings in 2017/18. Good location near the large population of Wellington. Training. Requires reconstruction of course proper, demolition of public grandstand, improved other facilities and landscaping. Freehold.

Hastings – Venue with 13 race meetings in 2017/18. Good location. Training. Requires renovation of course proper and significant improvements to general facilities and landscaping, and grandstand demolition in the future. Freehold.

Otaki – Venue with 14 race meetings in 2017/18. Good location. Training. Requires renovation of course proper, demolition of members' grandstand and rebuild of a new facility, and some minor other improvements. Freehold.

Wanganui – Venue with 11 race meetings in 2017/18. Good location. Training. Requires renovation of course proper and general facility improvements and landscaping. Leased/Freehold.

New Plymouth – Venue with 13 race meetings in 2017/18. Good location. Training. Requires renovation of course proper and general facility improvements. Leased.

Waverley – Venue with 3 race meetings in 2017/18. Fair location. Above average facilities. Training. Requires some general improvements. Leased.

Tauherenikau – Venue with 5 race meetings in 2017/18. Iconic smaller venue. Fair location. Training. Requires renovation of course proper, refurbishment of members grandstand and some other minor improvements. Freehold.

Gisborne – Venue with 1 race meeting in 2017/18. Fair location. No training. Retains racing in the Gisborne region. Requires general facility improvements. Leased.

Blenheim – Venue with 2 race meetings in 2017/2018. Fair location. No training. Below average infrastructure. Used for inter-island horse accommodation. Closing would deny the Marlborough region a racing venue and there is no nearby alternative. Requires upgrading of racing and facilities infrastructure. Freehold 50%.

Riccarton Park – Venue with 23 race meetings in 2017/18. One of the three best racecourse venues in New Zealand. Excellent location in Christchurch. Major training centre. Requires reconstruction of course proper, a synthetic track and some general facility improvements. Racecourse Reserve.

Wingatui – Venue with 13 meetings in 2017/18. Good location near Dunedin. Training. Retains a major racing venue in Otago. Requires renovation of course proper and general facility improvements. Freehold.

Ashburton – Venue with 6 race meetings in 2017/18. Good location near Christchurch. Training. Requires demolition of public grandstand and rebuild of a new facility, some renovation of course proper, general facilities improvements and landscaping. Racecourse Reserve.

Ascot Park Invercargill – Venue with 6 race meetings in 2017/18. Good location. Training. Requires demolition of public grandstand and rebuild of a new facility, some renovation of course proper, improved other facilities and landscaping. Freehold.

Kumara – Venue with 1 race meeting in 2017/18. Fair location. No training. Retains racing in summer on the West Coast of the South Island. Requires renovation of course proper, general facility improvements and landscaping. Leased.

Cromwell – Venue with 1 race meeting in 2017/18. Iconic one meeting venue. Fair location but growing population area. No training. Requires renovation of course proper, general facility improvements and landscaping. Leased.

Waikouaiti – Venue with 1 race meeting in 2017/18. Iconic one meeting venue. Fair location. No training. Requires renovation of course proper, general facility improvements and landscaping. Freehold.

Riverton – Venue with 4 race meetings in 2017/18. Fair location. Below average infrastructure. Training. The only jumps venue in Southland. Freehold.

Effective from the beginning of 2019/20, we propose that the following existing 20 venues be closed progressively and not be issued licences to conduct race meetings.

We recommend that these venues not be issued licences to hold race meetings from their proposed year of closure:

- **Dargaville**
- **Avondale**
- **Thames**
- **Rotorua**
- **Wairoa**
- **Stratford**
- **Hawera**
- **Waipukurau**
- **Woodville**
- **Reefton**
- **Greymouth**
- **Hokitika**
- **Motukarara**
- **Timaru**
- **Kurow**
- **Oamaru**
- **Waimate**
- **Omakau**
- **Winton**
- **Gore**

We recommend that the proposed new Waikato Greenfields racing and training facility be supported and be established with both grass and synthetic track racing and training, and that it be fully operational within 8 to 10 years. At that time, racing and training should cease at Te Rapa, Te Awamutu and on the proposed synthetic track at Cambridge, and all three freehold sites should then be sold.

We assume that Wyndham racecourse (Council Lease) and Rangiora racecourse (7/12 owned by Canterbury JC) remain closed as racing venues and that the Canterbury JC's interest in Rangiora is sold.

We specifically recommend that no Clubs should close but that those Clubs previously racing at venues that are closed should move to race at another nearby venue or merge with another Club.

We believe that the target should be to close the initial 20 venues over 5 years commencing 2019/20, so over a period of 6 years from now.

We acknowledge that this could be a difficult task, especially given the proposed rebuilding of the course propers at Ellerslie and Awapuni, as well as the other major capital works proposed, but we believe it should be achievable.

NZTR should in the final event determine the best timing of racecourse closures and the capital works program. However, it is strongly recommended that NZTR work hard to complete the racecourse closures, and all the racing and facilities infrastructure improvements, within the above mentioned 6 year timeframe. And the final plan should be reasonably consistent with what we recommend in this Review.

The New Zealand thoroughbred racing industry needs these changes to be made as soon as possible if its financial situation is going to improve in the near term and if a solid foundation for future growth is to be established.

An indicative plan for closing the 20 venues, and the main reasons for the closures, is described below. This plan is complicated by the capital works program for the retained racecourses, as well as the building of the 3 synthetic tracks and the NZTR target of still scheduling about 310 meetings per year. So, some of the closures need to be delayed to accommodate these requirements.

That said, we believe that what we outline below is the best possible, or close to the best possible, scenario for the proposed venue closures. The venues to be closed are:

Phase 1 – No Licences from 2019/20 for 11 Venues

Dargaville - Venue with 1 meeting in 2017/18. No training. Poor location. Poor infrastructure. Not required. Freehold. Better racecourse at nearby Ruakaka. Dargaville RC should race at nearby Ruakaka.

Thames - Venue with 1 meeting in 2017/18. No training. Fair location. Below average infrastructure. Not required. Freehold. Thames JC will race at nearby Te Aroha in 2018/19.

Wairoa – Venue with 2 meetings in 2017/18. Poor location. Below average infrastructure. No training. Not required. Freehold. Wairoa RC should race at Gisborne.

Stratford – Venue with 1 race meeting in 2017/18. Fair location. Below average infrastructure. Training. Not required. Freehold. Some training to be relocated. Stratford RC should race at New Plymouth.

Reefton – Venue with 1 race meeting in 2017/18. Remote location. Average infrastructure. No training. Not required. Freehold owned 50%. Reefton JC should race at Kumara.

Greymouth – Venue with 1 race meeting in 2017/18. Remote location. Below average infrastructure. No training. Not required. Freehold. Greymouth JC should race at Kumara.

Hokitika – Venue with 1 race meeting in 2017/18. Remote location. Poor infrastructure. No training. Not required. Freehold. Westland RC should race at Kumara.

Kurow – Venue with 1 race meeting in 2017/18. Poor location. Below average infrastructure. No training. Not required. Freehold. Kurow JC should race at Wingatui or possibly Cromwell.

Omakau – Venue with 1 race meeting in 2017/18. Poor location. Below average infrastructure. Training. Not required. Freehold owned 50%. Central Otago RC should race at Cromwell.

Waimate – Venue with 1 race meeting in 2017/18. Fair location. Average infrastructure. No training. Not required. Racecourse Reserve. Waimate RC should race at Wingatui or possibly Ashburton.

Winton – Venue with 1 race meeting in 2017/18. Fair location. Below average infrastructure. Training. Not required. Leased. Winton JC and Wairio JC should race at Ascot Park.

Phase 2 – No Licences from 2020/21 for 1 Venue

Avondale - Venue with 11 meetings in 2017/18. Training. Excellent location. Poor infrastructure. Freehold. Extremely valuable land with an estimated value of more than $200 million with rezoning and which should be sold for the benefit of the entire industry. Avondale JC should race at nearby Ellerslie or possibly Pukekohe.

Phase 3 – No Licences from 2021/22 for 1 Venue

Woodville – Venue with 5 race meetings in 2017/18. Fair location. Poor infrastructure. Training. Not required after proposed Awapuni synthetic track is built. Freehold. Woodville – Pahiatua RC should race at Awapuni.

Phase 4 – No Licences from 2022/23 for 3 Venues

Waipukurau – Venue with 2 race meetings scheduled in 2017/18. Fair location. Below average infrastructure. Training. Not required. Freehold. Waipukurau JC should race at Hastings.

Hawera – Venue with 4 race meetings in 2017/18. Average infrastructure. Training. Not required after proposed Awapuni synthetic track is built. Freehold owned 80%. Egmont RC should race at New Plymouth.

Timaru – Venue with 7 race meetings in 2017/18. Fair location. Below average infrastructure. Training. Not required after proposed Riccarton Park synthetic track is built. Racecourse Reserve. Timaru should race at Riccarton Park for jumps meetings and at Riccarton Park or nearby Ashburton for flat meetings.

Phase 5 – No Licences from 2023/24 for 2 Venues

Rotorua – Venue with 11 race meetings in 2017/18. Good location. Below average infrastructure. Training. Not required when proposed Cambridge synthetic track is available and Ellerslie course proper rebuild is complete. Leased/Freehold. Racing Rotorua and Rotorua - Bay of Plenty HC should race at Tauranga.

Motukarara – Venue with 1 race meeting in 2017/18. Good location. Below average infrastructure. No training. Not required after proposed Riccarton Park synthetic track is built. Leased/Freehold. Banks Peninsula RC should race at Ashburton or possibly Riccarton.

Phase 6 – No Licences from 2024/25 for 2 Venues

Oamaru – Venue with 4 race meetings in 2017/18. Fair location. Below average infrastructure. No training. Racecourse Reserve. Oamaru JC should race at Wingatui or possibly Waikouaiti.

Gore – Venue with 5 race meetings in 2017/18. Fair location. Average infrastructure. Training. Freehold. Gore RC and Tapanui RC should race at Ascot Park Invercargill.

The closing of these 20 venues would mean that 52 meetings from these tracks would have to be progressively reallocated from the 2018/19 schedule to the remaining racecourses commencing from 2019/20, that is assuming that the number of race meetings from 2019/20 onwards is 310 as proposed by NZTR. This number of 52 meetings is calculated by taking the 57 race meetings that are scheduled in the 2018/2019 racing calendar to be held at these venues proposed to be closed less a reduction overall of 5 in the number of meetings scheduled from 315 in 2018/19 to 310 from 2019/20.

The reduction in the number of race meetings proposed by NZTR of 5 to 310 from 2019/20 is considered to be minor but it will take a little pressure off the remaining racecourses to hold more races and should help underpin the average numbers of starters per race which in 2016/17 was 10.5.

Our view is that a bigger reduction in the number of race meetings from 2019/20 could be reasonably considered. We note that in the 5 years 2011/12 to 2016/17, the total number of individual starters in New Zealand thoroughbred racing has declined from 5610 to 4864 and live foals bred from 3988 to 3448. If this trend were to continue, and the average field size were to be maintained at about 10.5, then the number of meetings would have to be reduced to an estimated 276.

As noted previously, the total capital expenditure on the remaining 28 venues (including synthetic racing and training tracks at Awapuni and Riccarton Park, plus a synthetic racing and training track at Cambridge which will become a new racing venue) over the period 2018/19 to 2024/25 is estimated to be $190 million.

Spending on the tracks to be closed will be kept to a reasonable minimum with NZTR to determine what operationally is necessary to spend to maintain reasonable track conditions and to continue to protect the health and safety of horses and patrons. No capital expenditures on the tracks to be closed has been forecast as NZTR advise that these outlays could be covered by NZTR operating expenditures on infrastructure, race club funding and the Racing Safety Development Fund. Further, any surpluses generated by the sale of freehold racecourse land, additional to the capital expenditure requirements of the racecourses that are to remain, could be placed in NZTR's infrastructure projects reserve and also used for this purpose if necessary.

Costs may also be incurred when closing venues for sale or returning venues to lessors consistent with the return requirements of the leases. We have not estimated what these costs might be.

Appendix B provides information on the retained venues, an indicative race meeting schedule by venue over the next 6 years from now (by which time it is proposed that 20 venues be closed), and through to 8 years assuming the new Waikato Greenfields facility is built and operational by then, and this on the basis of 310 meetings being held in total. The major capital works on racecourses are highlighted to show their impact on the indicative race meeting schedule. Appendix B takes into account the venues proposed to be closed progressively and transfers most of their meetings to other nearby venues.

The employment effect of closing the initial 20 venues should not be significant. The overall level of industry activity will not decline and, if the thoroughbred racing industry becomes more vibrant and successful, then employment should grow, albeit in some different locations and in some different employment capacities. Assuming no Race Club closures, that is all the closed Clubs race at other venues, the initial job losses that will occur will be mainly in race day administration and racecourse maintenance. Most trainers affected would be expected to relocate to an alternative nearby venue.

The timeline for the proposed venue plan is shown in the following table:

NEW ZEALAND THOROUGHBRED RACECOURSES – PROPOSED VENUE PLAN	
2018/19 – 2026/27	
2018/19	• Continue racing at 48 racecourses.
	• Plan for racecourse closures, racing and facilities infrastructure work on venues to be retained and the development of the three synthetic tracks.
	• Commence the construction of the Cambridge synthetic track in January 2019.
2019/20	• No licences issued to 11 venues and these venues closed.
	• Commence selling surplus freehold land.
	• Start racing and facilities infrastructure work on venues to be retained. Race on Cambridge synthetic track.
	• Start Awapuni synthetic track construction.
	• Race at 36 existing venues (Awapuni out for rebuilding of course proper) plus Cambridge, so at 37 venues.
2020/21	• No licences issued to 1 more venue, that is Avondale, and the venue closed.
	• Sale process for Avondale freehold land to commence. Continue to pursue other surplus freehold land sales.
	• Continue racing and facilities infrastructure work on venues to be retained.
	• Race on Awapuni synthetic track. Start Riccarton Park synthetic track construction.
	• Race at 34 existing venues (Awapuni course proper still out but race on synthetic and Hastings out for renovation of course proper) plus Cambridge, so at 35 venues.
2021/22	• No licences issued to 1 more venue, that is Woodville, and venue closed.
	• Sell Woodville freehold land. Continue to pursue other surplus freehold land sales
	• Continue racing and facilities infrastructure work on venues to be retained. Race on Riccarton Park synthetic track.
	• Sell interest in nearby Rangiora training venue.
	• Race at 33 existing venues (Hastings back, Ellerslie out for rebuilding of course proper, Trentham out for reconstruction of course proper, New Plymouth out for renovation of course proper) plus Cambridge, so at 34 venues
2022/23	• No licences issued to 3 more venues and these venues closed. Continue to pursue surplus freehold land sales.
	• Continue racing and facilities infrastructure work on venues to be retained.

	• Race at 30 existing venues (Ellerslie still out, Trentham back but Otaki out for renovation of course proper) plus Cambridge, so 31 at venues.
2023/24	• No licences issued to 2 more venues and these venues closed. Continue to pursue surplus freehold land sales.
	• Continue racing and facilities infrastructure work on venues to be retained.
	• Race at 29 existing venues (Ellerslie back, Otaki back but Wanganui out for renovation of course proper) plus Cambridge, so at 30 venues.
2024/25	• No licences issued to 2 more venues and these venues closed. Continue to pursue surplus freehold land sales. Continue racing and facilities infrastructure work on venues to be retained.
	• Race at 28 existing venues (Wanganui back) plus Cambridge, so at 29 venues.
2025/26	• Same venues as 2024/25 and begin with small number of meetings at the proposed Waikato Greenfields venue.
	• Race at a total of 30 venues.
2026/27	• Same as 2025/26 but introduce full schedule of meetings at the Waikato Greenfields venue.
	• Close Cambridge, Te Rapa and Te Awamutu and commence sale process for these 3 freehold properties. Race at a total of 27 venues.

Throughout this period, we assume that Foxton, Levin and Opaki continue as training only venues.

Conducting 310 meetings on 29 racecourses from 2024/25 will mean that the New Zealand racecourse utilisation intensity rate will increase to 10.7 from the current rate of 6.7, and in 2026/27 with 27 venues to 11.5.

We understand that this plan for venue closures of thoroughbred racecourses will cause no conflicts or other issues for the harness or greyhound racing codes that cannot reasonably be resolved. There are 9 thoroughbred racecourses that we are recommending for closure that we believe the Harness Code might wish to retain. Of these, 1 is owned freehold by a thoroughbred Race Club, 4 are jointly owned, 3 are Racecourse Reserves and 1 is a lease. We understand that both Codes have met during July to discuss this matter and that positive discussions were held.

Map 1 attached shows the 2017/18 location of racecourses (that were scheduled to hold race meetings) and training tracks, and Map 2 attached shows the location of the proposed venues commencing 2024/25.

Overall, we are confident that our proposals concerning future venue plans for racecourses and racecourse consolidation are in the best interests of the New Zealand thoroughbred racing industry.

Summary of the Proposed Venue Plan

So to summarise, we propose that:

- 20 existing venues be closed progressively over 5 years commencing 2019/20
- 28 existing venues be retained and upgraded
- 3 synthetic tracks be built over the next 3 years
- Cambridge becomes a synthetic track racing (as well as training) venue from 2019/20
- the Waikato Greenfields Project be built and be in operation by 2026/27.

The capital cost of what we propose is an estimated $190 million, excluding the cost of the Waikato Greenfields Project which will effectively be self-funded from the sale of Te Rapa, Te Awamutu and Cambridge in 2026/27 or soon after, and then making for 27 continuing venues.

The $190 million is calculated after saving capital expenditure at Te Rapa and Te Awamutu if the Waikato Greenfields Project proceeds. The $190 million compares with an estimated capital expenditure requirement of $294 million if all 48 existing tracks were to be upgraded and maintained and the 3 synthetic tracks built.

Therefore, what we propose saves about $100 million in capital expenditure, with the required $190 million of estimated expenditure on the 28 remaining venues plus Cambridge, funded primarily from the sale of the freehold racecourse land of the closed racecourses. This is discussed in detail later in this Review. Without the sale of this freehold racecourse land, the $190 million could not be funded, let alone the $294 million.

As noted earlier, there are significant betting turnover benefits, both domestically and internationally, that should arise from better racing on better tracks and from a better TV vision presentation of New Zealand thoroughbred racing. Furthermore, better facilities should also allow Race Clubs to provide a better experience for owners, trainers and other patrons and help facilitate Clubs growing their non-racing income.

Vesting Ownership of Freehold Racecourse Land & Other Net Assets of Clubs in NZTR

The vesting of the ownership of freehold thoroughbred racecourse land in NZTR will be critical to the thoroughbred racing industry as a whole benefitting from the sale of closed racecourse land or from the sale of other surplus land on the racecourses that are retained. This has been a long-time issue for the racing industry and was raised in the McCarthy Royal Commission Report 1970 in the terms referred to earlier.

Both the Racing Act 2003 and individual race club constitutions make clear the intention that members of Clubs are not owners of Club assets and that these are in fact "industry" assets.

The Racing Act 2003 says in Section 26 "A member of a racing club shall have no pecuniary interest, in his or her capacity as a member, in the property of the club". Further, in Section 27 the Act says "On dissolution of a racing club, the assets of the club remaining after all legal claims on the club have been satisfied must be disposed of for racing, public, charitable, or other purposes in the manner that the club, with the approval of the racing code with which it is registered, determines." So, it is the racing code authority that is the ultimate decision maker about what is done with the net assets of a Race Club in the event of a dissolution.

With respect to examples of relevant wording in the constitutions of racing clubs, both the Auckland Racing Club Constitution and the Avondale Jockey Club Constitution contain the following words "In the event of the winding up of the Club or its dissolution by any means whatsoever, the funds, property and assets of the Club remaining after all legal claims against the Club have been satisfied must not be paid or distributed amongst the Members of the Club or any of them….".

Further, it is our understanding that the majority of Race Club owned racecourses were acquired with funding raised by the then local racing community or as a result of grants or bequests from former property owners. In the main all racecourses, whether owned by the Clubs or other parties have been developed and maintained with racing industry funding much of which has been generated from activities over which the Clubs have had little direct control. In particular, we refer to domestic on-course, domestic off-course and export betting, as well as to some small extent revenue derived from gaming and sports betting. The Clubs have only continued to exist because they have been licensed to hold race meetings by the relevant authority and on which meetings there is licensed legal betting that generates almost all their income.

Any claim by members of Race Clubs to any form of ownership over racecourses is, therefore, considered to be flawed. Members of Race Clubs merely hold custodianship over the assets and could reasonably be likened more to advance ticket holders.

However, the overarching Racing Act 2003 does not make it unequivocally clear that the ultimate ownership of freehold race course land on an on-going basis is vested in NZTR and that the other net assets of a Race Club ultimately belong with NZTR and to no one else.

So, we believe it will be absolutely essential to the successful future of the New Zealand thoroughbred racing industry that the Racing Act 2003, and any other relevant legislation, be amended to provide unambiguously for the transfer to NZTR of title to all thoroughbred racecourses and training facilities currently owned freehold by Race Clubs and also ownership of all net assets. The amendments should expressly include provisions providing NZTR with the right to close a venue and sell the freehold land owned by a Race Club/s in circumstances where NZTR determines in its sole discretion not to issue licences to any Club/s to race at that venue, or in the case the dissolution of a Race Club. There should also be a requirement that NZTR invests the proceeds from the sale of such land or other net assets in the best interests of the New Zealand thoroughbred racing industry.

Further, the amendments should provide that if NZTR were to decide to issue a Race Club/s, from a closed venue, licences to race at another venue, or if a Race Club/s decided to merge with another Race Club that held licences to race, then NZTR in its sole discretion could allow a Race Club/s to retain its net assets other than for its freehold land which will no longer be used for race meetings.

More specifically, with these Racing Act 2003 amendments, NZTR could then:

- For the racecourses that are to be retained, lease back the racecourses to the respective Race Clubs as appropriate. The terms of such leases should be made out in such a way as to help ensure that racecourses are managed in the best interests of the industry and to allow for a more coordinated approach to the future racecourse infrastructure development proposals outlined in this report.
- For the racecourses that are to be closed, NZTR could determine that licences are no longer to be issued to the Race Club/s that race on those tracks unless they move to another venue or merge, and NZTR could sell the racecourse land. If Race Club/s move to another venue or merge with another Race Cub then, with the approval of NZTR, the remaining assets of a Club/s (minus the land) could be retained. If there is to be a winding up of a Race Club, the remaining net assets would be the property of NZTR.

A significant benefit of vesting the ownership of freehold racecourse land in NZTR is that it would place NZTR in a position where it should be able to obtain a loan or loans secured by the freehold land to fund the proposed racing and facilities infrastructure expenditure up until the time the freehold land of closed racecourses is sold and proceeds received. The total loan/s amount would be less any funding from the Provincial Growth Fund or from co – funding contributions by some Race Clubs (see later). The loan/s would be drawn down progressively subject to the timing of the proposed capital works and repaid as proceeds from the sale of racecourse freehold land are received.

Without the vesting in NZTR of the ownership of freehold racecourse land, the sale of the freehold land from closed venues, and the obtaining of loans secured by the freehold land to manage the funding of the proposed capital works in advance of freehold land sales, the proposed racecourse consolidation plan that we recommend cannot proceed. There is simply no other realistic way of funding circa $200 million for better racing and infrastructure facilities at the remaining racecourses. While a lump sum payment might be received as part of a transaction to outsource the TAB business of the NZRB, this is certain to be well short of the funding required for New Zealand's remaining racecourses.

Without improving New Zealand's remaining racecourses along the lines proposed, there will not be better racing at better venues, more racecourses will need to be retained to cope with the number of meetings required to service the horse population and the potential increases in domestic and export betting will not be achieved. The only alternative would be to devote a significant share of future TAB distributions to racecourse development which in turn would mean lower prizemoney than otherwise with resulting detrimental effects on the future of the New Zealand thoroughbred industry.

With respect to our proposals that a total of 20 existing racecourses ultimately be closed, and assuming the above-mentioned changes to the Racing Act 2003, we would recommend a co-operative approach between the NZTR and the Race Club/s concerned, but at the end of the day the NZTR must be prepared to take the actions described above.

Funding of Racecourse Infrastructure Expenditure

We propose that funding for the required racing and facilities infrastructure expenditure estimated to be $190 million come from 3 sources. The sources are:

1. Proceeds from the sale of any freehold land of the racecourses that are to be closed.

2. Grants from the New Zealand Government's Provincial Growth Fund to assist with funding especially for the 3 proposed synthetic tracks, although Riccarton Park may not qualify as it is in Christchurch (see below).

3. Co-funding from Race Clubs.

Re the sale of freehold land of racecourses that are to be closed, 16 of the initial 20 racecourses to be closed are freehold or part freehold. The rateable land value of the initial 16 courses to be closed (that is excluding Te Rapa, Te Awamutu and Cambridge which will not be closed before the proposed Waikato Greenfields Project is completed) is about $29 million based on current zoning, with Avondale accounting for $14.5 million of this. As noted earlier, the commercial value of some of these racecourses could be 5 to 10 times or more their rateable land value with new zoning. A case in point is Avondale for which we have received a preliminary conservative valuation of about $100 million from a real estate company plus valuation indications from property developers and people in the racing industry of up to $200 million or more with the best zoning. For the 16 venues to be closed initially we believe that the realisable value may fall between $150 million and $300 million.

In this regard we have noted with interest the developments at Riccarton Park since 2015. As we understand it, 38 hectares of Christchurch Racecourse Reserve land at Riccarton Park was converted to freehold land in the name of the Trustees, that is for the benefit the Canterbury JC, and was able to be sold for the development of 600 residential units provided 180 of them fitted within the definition of "affordable housing". The land sale proceeds were $16 million, and these monies are being invested by the Trustees in order to pay Canterbury JC an annuity to assist with their capital and operating expenditures. This initiative was promoted by the then Minister for Building and Housing and the Christchurch City Council. To make this happen a Riccarton Racecourse Enabling Act was passed by the New Zealand Government and a Riccarton Racecourse Local Act was passed by the Christchurch City Council. The development is now underway.

So, significant funding is potentially available from the sale of the freehold land of closed racecourses. The timing of racecourse land sales will be mostly later than funding is required, so loans secured by the freehold racecourse land will be required as previously described.

With respect to the Waikato Greenfields facility proposed for 8 to 10 years' time, we understand that it could be funded by the sale of the Te Rapa, Te Awamutu and Cambridge venues. We note NZTR have put in an application to the Provincial Growth Fund for the cost of developing a detailed Business Case and Master Plan.

All funding for the proposed racing and facilities developments from whatever source should go to the Race Clubs from NZTR in the form of non-recourse loans.

We recommend the sale of Avondale racecourse as soon as possible and are proposing it be closed and sold as early as 2020/21.

Regarding the Provincial Growth Fund, we are aware of this 2018 New Zealand Government $3 billion fund which will invest $1 billion a year for 3 years for regional economic development under the direction of the Minister for Regional Development, the Right Honourable Mr Shane Jones. We understand that projects will be assessed against criteria organised around 4 themes:

- Link to Fund and New Zealand Government desired outcomes – the project should lift the productivity potential of a region or regions and contribute to other objectives such as jobs, community benefits, improved use of Maori assets, sustainability of natural assets, and mitigating and adapting to climate change.
- Additionality – the project needs to add value by building on what is there already and not duplicating existing efforts. The project needs to generate clear public benefit.
- Connected to regional stakeholders and frameworks – the projects must align with regional priorities. They will need to have been discussed and agreed with relevant local stakeholders.
- Governance, risk management and project execution – the projects will need to be supported by good project processes and those involved should have the capacity and capability to deliver the project. Project's need to be sustainable beyond the Fund's life.

We believe that the major racecourse infrastructure investment that is required, and in particular the 3 synthetic track developments, should qualify for support from the Provincial Growth Fund. There is a possible issue with Riccarton Park as it is in Christchurch which is a Provincial Growth Fund exclusion area, but we believe that there might be a way that this can be managed. We also understand that some funding in the form of loans might be available from the Provincial Growth Fund. We recommend that NZTR engage with Minister Jones on this matter as soon as practicable.

As to co-funding by Race Clubs, some of the larger Clubs have an ability and a willingness to co-fund required infrastructure development on their own racecourses. Many other Clubs are not in this position which raises the question of equity and fairness between those Clubs that do and those that don't contribute. We have raised this with NZTR and they agree that a policy needs to be developed on co-funding. This should be addressed as a priority by NZTR.

For the racecourses that are proposed to be retained, those Clubs that are on freehold land should be directed to sell their surplus land holdings not required for racing and/or training. This would assist a Club's ability to co-fund necessary infrastructure development. NZTR should put in place processes to make this happen as soon as possible.

Thoroughbred Prizemoney and Racing Calendar

It seems that the NZTR have a very complicated minimum prizemoney matrix with minimum prizemoney for the same class of race varying across 6 different meeting categories and for minimums to be different for different classes of race at the same meeting.

We have proposed to NZTR that they adopt a different model with minimums being the same for all classes of races for each venue Tier that we propose should apply in the future in New Zealand, that is for what we call Tier 1, Tier 2 and Tier 3 venues. Given the different qualities of meetings at each Tier level, and particularly at different times of the year, we propose that Tier 1 and Tier 2 meetings be divided into A and B categories.

We have also taken into account a potential doubling of prizemoney in New Zealand to about $100 million, arising from the initiatives described in other Parts of this Review, and determined what the appropriate allocations of prizemoney between the Tiers should be given the likely number of races run to be at each tier level.

We have worked closely with NZTR on this and we propose that the following Prizemoney Matrix should apply in New Zealand as and when at least $110 million of prizemoney can realistically be funded, which should be the situation if the other recommendations in this report are adopted. By comparison, in 2016/17 prizemoney was $53.7 million (including Club contributions of $2.9 million) and for 2017/18 is an estimated $59.4 million (including Club contributions of $3.7 million). The below Prizemoney Matrix incorporates our views which are not necessarily those of NZTR. The calculations have been completed on the basis of the 2018/19 schedule of race meetings by venue.

The proposed Prizemoney Matrix follows. A number of key points should be noted. They are:

- Tier 1A, Tier 1B and Tier 2A would be primarily Saturday and Public Holiday race meetings, and Tier 2B and Tier 3 primarily mid-week meetings.
- The Minimum Stake is for all races at a meeting of that Tier level, whether it be an Open Handicap or a Maiden race for non-winners, as well as increased prizemoney for some other special races.
- The Group and Listed prizemoney minimums are incorporated in the total prizemoney calculation of $100.3 million, including additional race funding for key Group and Listed races at the same quantum levels as currently in New Zealand.

- Prizemoney for 6th to 10th place, at the rate of 2.5% of prizemoney per race per horse capped at $1,000 and costing an additional $9.0 million, is proposed to help fund the costs of owners racing horses in New Zealand subject to the availability of sufficient funding.

PROPOSED NEW ZEALAND THOROUGHBRED PRIZEMONEY MATRIX Based on Scheduled Meetings 2018/19							
Minimum Stake	Meeting Category	Mtgs	Races	Total Stakes Funding	Avg Stakes Funding	6-10th	Additional Cost
$70,000	TIER 1A	26	236	$29,165,000	$123,581	1,000	$1,180,000
$35,000	TIER 1B	60	484	$19,240,000	$39,752	1,000	$2,420,000
$50,000	TIER 2A	12	101	$8,600,000	$85,149	1,000	$505,000
$25,000	TIER 2B	126	993	$27,390,000	$27,583	625	$3,103,125
$20,000	TIER 3	91	718	$15,895,500	$22,139	500	$1,795,000
	GRAND TOTAL	315	2532	$100,290,500	$39,609		$9,003,125

MEETING/RACE CATEGORY				
	GROUP 1	GROUP 2	GROUP 3	LISTED
All meetings	$400,000	$250,000	$150,000	$100,000

Importantly, the proposed Prizemoney Matrix would result in an approximate doubling of New Zealand prizemoney overall, and a doubling of the returns to owners, which is absolutely required for the reasons outlined elsewhere in this Review.

It should also be emphasised that even with these proposed prizemoney increases, prizemoney in New Zealand will still be modest when compared to Australia. By way of comparison, Racing NSW in July announced increases in prizemoney effective 1 September 2018 including minimum prizemoney for Saturday races of $A125,000 as compared to our New Zealand proposal of $70,000. But what we propose is all that is considered achievable in New Zealand in the short to medium term, even assuming all the other recommendations in this Review are adopted.

Our proposed Prizemoney Matrix would mean:

- An increase in the number of top level Tier 1A type non-Group and Listed races from 46 to 155 and an increase in prizemoney per race for these races from a maximum of $40,000 to a minimum of $70,000, or by $30,000 per race.
- An increase in second level type non-Group and Listed prizemoney per race from about $20,000 to about $40,000, or by about $20,000 per race.
- An increase in the bottom level prizemoney per race from about $10,000 to $20,000, or by about $10,000 per race.
- An increase in Maiden race prizemoney by about $15,000 per race, ranging from prizemoney of $20,000 per race at Tier 3 meetings to $70,000 per race for 5 Maiden races at Tier 1A meetings.
- An increase in minimum Group and Listed race prizemoney by between $50,000 and $200,000 per race.

It should also be recognised that as the proposed racecourse closures proceed the allocation of races between the Tiers will need to be modified to fit the then available total prizemoney amount.

We have also looked at the New Zealand Racing Calendar for 2018/19, that is the schedule of meetings to be run and at what venues. We have no major issues with it given the current state of the industry and of the racecourses.

However, we do believe that from 2019/20 more consideration should be given to programming Festival meetings, that is meetings that could run for 2 or 3 consecutive days at good times of the year, or maybe with a free day in between, to help create special events away from the bigger population centres.

For example, we do believe that race meetings in remote areas like Ruakaka, Ascot Park Invercargill and Kumara should be programmed as Festival meetings. And there are other venues where this approach to programming could work well, such as Gisborne and Taupo.

Festival meetings, as well as creating truly special events that are likely to result in better attendances and better betting turnover, would also save money for both the NZTR and industry participants who would be able to travel less frequently to the more remote venues.

It is also worth noting that Irish racing is built very much around 21 Festival meetings generally of 2 to 5 days' duration.

Other Race Club Matters

Other matters arising from our considerations about racecourses and Race Clubs are as follows:

1. Good governance practices at Race Clubs should be reinforced. A guide book for directors of New Zealand thoroughbred Race Clubs, similar to Racing NSW's "Guidelines for Directors of NSW Thoroughbred Racing Clubs", should be prepared and circulated. NZTR should consider holding annually a short governance course for directors of Race Clubs and making it compulsory for a Chairman to attend the next available course after his or her appointment.

2. Executive management of Race Clubs has some scope for improvement. NZTR should produce a comprehensive Race Club management procedures manual similar to what is done by Racing NSW. NZTR should also hold annually a short Race Club CEO management course and require all CEOs to attend the next available course after his or her appointment for the first time as a race club CEO.

3. The NZTR "Minimum Guideline Standards" document should be revised to differentiate in more detail as to the minimum standards required separately for each of the proposed three Tiers of racing, and particularly with respect to the operation and presentation of racing, training and facilities infrastructure. Minimum standards should also be set with respect to host-

ing owners, owners' privileges and owners' hospitality on race days.

4. The issue of whether or not there are more opportunities for Race Clubs in gaming has been raised with us. After speaking with various race club representatives, and with the Department of Internal Affairs, we believe that there is little new opportunity for Race Clubs in this space and it should not be a priority for the future.

Other Codes

We have considered the information provided by the harness and greyhound codes to the Future Venue Plan Joint Working Group meetings on 6 June and 6 July. We note at the time of writing that harness racing is proposing to reduce their number of venues from 35 to 31 over 3 years, to 28 over 5 years and to 25 after 10 years. Greyhound racing is proposing to reduce their number of venues from 7 to 3 after 10 years. We have not undertaken detailed work on the harness or greyhound codes, so are not in a position to comment about their preliminary venue plans.

As noted earlier, we have looked at the thoroughbred venues that we recommend be closed and which also conduct harness meetings. There are 9 thoroughbred racing or training venues which we propose should be closed that also will continue to host harness meetings as per the Harness Racing New Zealand (HRNZ) preliminary venue plan. Having reviewed the land ownership arrangements for each venue we believe that NZTR, HRNZ and the relevant clubs should be able to work out future arrangements satisfactory to both codes. There are no thoroughbred venues proposed to be closed that also host greyhound meetings

RECOMMENDATIONS

1. Reduce the number of existing thoroughbred racing venues in New Zealand over the next 6 years by 20, from 48 to 28 venues, and establish Cambridge as a new synthetic track racing and training venue within 1 year, so making a total of 29 venues. Sell all freehold racecourse land of the closed venues with the proceeds to accrue to NZTR. Maintain racecourses in all regions of New Zealand where racing is currently conducted. Not require any Race Clubs to close but encourage them to race at another venue or merge with another Club.

2. Significantly improve the racing and facilities infrastructure at all remaining tracks over the next 6 years and build 3 synthetic racing and training tracks (including Cambridge) over the next 3 years, at an estimated total cost of about $190 million.

3. Fund all the proposed capital expenditure by the sale of surplus freehold racecourse land, grants from the Provincial Growth Fund for the synthetic tracks and co-funding by some Race Clubs. Clubs racing at retained venues (or NZTR as per recommendation 5 below) should also

be required to sell any surplus freehold land holdings to help co-fund infrastructure investment.

4. Build an exceptional new racing and training venue in the Waikato within the next 8 to 10 years at an estimated cost of at least $110 million and then close and sell the Te Rapa, Cambridge and Te Awamutu racecourses to fund the development. There would then be 27 thoroughbred venues racing in New Zealand.

5. To allow for recommendations 1 to 4 to be implemented, amend the Racing Act 2003 and any other relevant legislation to provide for the vesting in NZTR of the ownership of freehold racecourse land and other net assets of Race Clubs. This would allow NZTR, if it decided not to issue licences to a Race Club/s to hold any race meetings at a venue, to then take possession of the Race Club/s freehold racecourse land and sell the land with the proceeds being used to benefit the entire thoroughbred racing industry. The proposed amendments to the Racing Act 2003 should also facilitate the ability of NZTR to negotiate loans, secured by the freehold racecourse land, to fund infrastructure investment before the freehold land of the closed venues is sold.

6. To introduce a simplified 3 Tier structure for New Zealand thoroughbred racing and a simplified Prizemoney Matrix that will provide for about $110 million of prizemoney (up from $53.7 million in 2016/17 and an estimated $59.4 million in 2017/18), including 6th to 10th prizemoney, subject to the implementation of the other recommendations in this report. All races at the same meetings to have the same minimum prizemoney whether they be an Open Handicap or a Maiden race.

7. To introduce the measures described to reinforce the importance of good corporate governance practices by Race Club controlling Boards or Committees, to improve the Race Club management skills of CEOs and senior staff and to lift the NZTR minimum acceptable standards for racecourses in terms of the presentation of racing tracks, training tracks and facilities infrastructure. Increased attention should also be given to ensuring the adequate training of all Race Club staff and, in particular, track maintenance personnel.

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British Horseracing Statistics

Hong Kong Jockey Club Annual Reports

APPENDIX A

NZ THOROUGHBRED RACING VENUES - CURRENT STATUS SUMMARY 2017/18 AND CAPEX FORECAST

	Venue and Race Club/s	Area (Region)	Racecourse Land Ownership	Racing(R) Training(T) Harness(H) 2016/2017	Tier Category	Race Meetings Scheduled 2016/17	Race Meetings Scheduled 2017/18	Racing Infrastructure Rating	Facilities Infrastructure Rating	Required Capex Racing Infrastructure ($M)	Required Capex Facilites Infrastucture ($M)	Net Assets 2016/17 ($)	Net Profit/Loss 2016/17 ($)	Operating Cash Flow 2016/17 ($)	Net Cash Flow 2016/17 ($)	Cash Balance End 2016/17 ($)	Land Area (Ha)	Rateable Land Value ($) based on Current Zoning	Land Saleable Yes/No
4	**VENUES PROPOSED TO BE RETAINED**																		
6	**Waikato New Greenfield (Racing and Training from 2026/27)**	Northern (Waikato)	TBD	R,T starts 2026/27	1	-	-	-	-	40	70	-	-	-	-	-	-	-	-
8	**Ellerslie**	Northern (Auckland)	Auckland RC	R	1	23	18	4	6	12	3						56	47,500,000	Y
9	Auckland RC					22	17					103,717,642	1,992,225	37,296	(1,545,490)	973,205			
10	Pakuranga HC					1	1					8,151,047	22,496	(37,317)	(71,065)	(2,094)			
11	**Matamata**	Northern (Waikato)	Matamata RC	R,T	2	14	14	5	3	3	5						52.8	4,235,000	Y
12	Matamata RC					13	13					6,976,654	322,536	394,726	(195,627)	225,201			
13	South Waikato RC					1	1					392,265	(4,612)	14,503	5,726	11,847			
14	**Te Aroha**	Northern (Waikato)	Te Aroha RC	R,T	2	12	12	3	4	3	5						45.5	960,000	Y
15	Racing Te Aroha					12	12					1,097,128	(102,608)	58,527	54,212	205,978			
16	Rotorua BOP HC					0	0					4,945,773	289,040	NA	NA	NA			
17	**Pukekohe**	Northern (Auckland)	Counties RC	R,T	2	11	15	7	4	5	3						72.4	6,140,000	Y
18	Counties RC					11	15					14,330,000	(710,187)	(863,601)	681,039	381,821			
19	**Cambridge (Racing as well as Training from 2019/20)**	Northern (Waikoto)	Cambridge JC	T, R starts 2019/20	2	0	0			10	1						61.32	2,760,000	Y
20	Cambridge JC											See Te Rapa							
21	**Te Rapa**	Northern (Waikato)	Waikato RC	RT	1	19	19	5	4	5	20						84.98	7,070,000	Y
22	Waikato RC					17	17					16,588,985	186,381	164,262	950,736	782,816			
23	Cambridge JC					2	2					3,929,531	346,252	583,655	244,227	229,254			
24	**Te Awamatu**	Northern (Waikato)	Waipa RC	R,T,H(1mtg)		7	7	5	5	1	1						28.78	1,220,000	Y
25	Waipa RC					7	7					1,534,918	(45,589)	53,787	59,926	251,126			
26	**Tauranga**	Northern (Bay of Plenty)	Council Lease	R,T,H(1mtg)	2	12	12	6	4	3	5						35	167,000	N
27	Tauranga RC					12	12					6,013,333	(315,273)	(87,972)	(4,474)	144,620			
28	**Ruakaka**	Northern (Northland)	Whangarei RC	R,T	3	9	10	7	3								50.5	3,280,000	Y
29	Whangariei RC					9	10					2,601,173	(22,169)	58,979	32,129	105,847			
30	**Taupo**	Northern (Waikato)	Council Lease	RT	3	4	4	4	3	0.5	0.5						35.04	1,443,000	N
31	Racing Taupo					4	4					413,566	8,371	23,707	12,971	64,843			
32	**Te Teko**	Northern (Bay of Plenty)	Trust Lease	R	3	2	2	4	6	0.5	0.5						74.6	2,200,000	N
33	Whakatane RC					2	2					103,970	(21,766)	(7,494)	2,406	18,608			
34	**Awapuni**	Central (Manawatu-Wanganui)	Manuwatu RC (RACE Group)	R,T	1	18	18	2	5	12	13						61.29	3,930,000	Y
35	Manawatu RC					9	9					See RACE Group below							
36	Fielding JC					3	3					"							
37	Marton JC					4	4					"							
38	Rangtikei RC					2	2					"							
39	**Trentham**	Central (Wellington)	Wellington RC (RACE Group)	RT	1/2	11	11	5	3	8	3						50.6	3,530,000	Y
40	Wellington RC					11	11					See RACE Group below							
41	**Hastings**	Central (Hawkes Bay)	Hawkes Bay RI	R,T	2	13	13	3	3	3	12						38.01	8,214,000	Y
42	Hawkes Bay RI					13	13					2,771,682	156,737	248,013	91,076	(52,688)			
43	**Otaki**	Central (Manawatu-Wanganui)	Otaki Maori RC	R,T,H(2mtgs)	2	13	14	5	3	3	5						59.83	4,410,000	Y
44	Otaki Maori RC					10	11					See RACE Group below							
45	Levin RC					3	3					2,389,981	34,061	(7,008)	97,244	445,449			

	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S
3	Venue and Race Club/s	Area (Region)	Racecourse Land Ownership	Racing(R) Training(T) Harness(H) 2016/2017	Tier Category	Race Meetings Scheduled 2016/17	Race Meetings Scheduled 2017/18	Racing Infrastructure Rating	Facilities Infrastructure Rating	Required Capex Racing Infrastructure ($M)	Required Capex Facilites Infrastucture ($M)	Net Assets 2016/17 ($)	Net Profit/Loss 2016/17 ($)	Operating Cash Flow 2016/17 ($)	Net Cash Flow 2016/17 ($)	Cash Balance End 2016/17 ($)	Land Area (Ha)	Rateable Land Value ($) based on Current Zoning	Land Saleable Yes/No
46	**Wanganui**	Central (Manawatu-Wanganui)	Reserve -Track, Other Land and Buildings by Wanganui JC	R,T,H(1mtg)	2	11	11	5	3	3	5						25.02 - Track, 5.12 - Other	530,000	Y for part
47	Wanganui JC					11	11					2,722,852	(17,600)	114,309	(14,945)	30,236			
48	**New Plymouth**	Central (Taranaki)	Council Lease	R,T,H(2mtgs)	2	14	13	5	3	3	3						27.52	9,983,000	N
49	Taranaki TRI					14	13					5,653,166	(118,857)	174,399	(195,238)	83,776			
50	**Waverley**	Central (Taranaki)	Council Lease	R	3	3	3	6	6	1	1						NA	NA	N
51	Waverley RC					3	3					955,449	(8,190)	(8,367)	(37,281)	54,025			
52	**Tauherenikau**	Central (Wellington)	Wairarapa RC	RT	3	4	5	4	3	0.5	1.5						46.7	1,000,000	Y
53	Wairarapa RC					3	4					4,064,964	(16,121)	90,445	48,790	122,678			
54	Masterton RC					1	1					1,828,007	(15,249)	(17,618)	(31,315)	168,928			
55	**Gisborne**	Central (Gisbone)	Company Lease	R	3	1	1	6	4	0.5	0.5						37.88	2,110,000	N
56	Poverty Bay Turf Club					1	1					2,048,681	(151,700)	(248,526)	(80,176)	32,032			
57	**Blenheim**	Southern (Marlborough)	Marlborough RC 50% and MHRC 50%	R,H(4mtgs)	3	2	2	5	4	1	1						31.14	4,120,000	Y for 50%
58	Marlborough RC					2	2					2,998,869	(13,036)	(1,778)	(4,442)	104,814			
59	**Riccarton Park**	Southern (Canterbury)	Reserve	R,T	1	23	23	5	5	16	2						121.37	4,900,000	N
60	Canterbury JC					23	23					10,508,351	1,149,322	562,577	286,057	3,156,909			
61	**Ashburton**	Southern (Canterbury)	Reserve	R,T,H(6mtgs)	2	6	6	4	4	5	3						60.7	2,950,000	N
62	Ashburton JC					6	6					777,209	(94,619)	(83,701)	(235,918)	12,003			
63	**Wingatui**	Southern (Otago)	Otago RC	R,T,H(Dual Code)	2	12	13	5	4	3	5						60.52	2,282,500	Y
64	Otago RC					11	12					2,569,749	(107,468)	(19,299)	(34,330)	44,447			
65	Beaumont RC					1	1					147,245	5,745	14,429	15,063	79,104			
66	**Invercargill Ascot Park**	Southern (Southland)	Southland RC	R,T,H(17 mtgs)	2	6	6	4	4	3	5						57.19	1,120,000	Y
67	Southland JC					5	5					1,718,314	(12,883)	55,412	67,655	1,102,592			
68	Wairio JC					1	1					See Winton							
69	**Kumara**	Southern (West Coast)	Council Lease	R	3	1	1	3	3	0.5	0.5						27.32	265,000	N
70	Kumara JC					1	1					331,746	(77,049)	(84,854)	(86,465)	61,486			
71	**Cromwell**	Southern (Otago)	Club Lease	R,H(1mtg)	3	1	1	4	5	0.5	0.5						91.3	1,450,000	N
72	Otago RC					1	1					See Wingatui							
73	**Waikouaiti**	Southern (Canterbury)	Waikouaiti RC	R,H(2mtgs)	3	1	1	3	3	0.5	0.5						8.18	248,000	Y
74	Waikouaiti RC					1	1					346,965	74,688	24,580	25,103	71,692			
75	**Riverton**	Southern (Southland)	Riverton RC	R,T	3	4	4	5	4	1	4						101.57	2,200,000	Y
76	Riverton RC					4	4					1,374,022	156,254	52,640	447,190	27,173			
77																			
78	**SUB-TOTAL EXCL. WAIKATO**					**257**	**259**			**107.5**	**109.5**	**214,003,237**	**2,861,152**	**1,256,650**	**599,686**	**8,937,730**			
79																			
80	**VENUES PROPOSED TO BE CONSIDERED FOR CLOSURE**																		
81																			
82	**Dargaville**	Northern (Northland)	Dargaville RC	R	3	1	1	2	2	1	1						48	870,000	Y
83	Dargaville RC					1	1					2,214,552	32,036	(1,497)	6,503	23,164			
84	**Avondale**	Northern (Auckland)	Avondale JC	RT	2	12	11	3	1	5	12						35.7	14,500,000	Y
85	Avondale JC					12	11					4,659,168	33,027	241,451	83,612	662,741			
86	**Thames**	Northern (Bay of Plenty)	Thames JC	R,H (1mtg)		1	1	4	4	1	4						30.67	850,000	Y
87	Thames JC					1	1					1,988,914	262,251	38,786	(4,627)	14,024			
88	**Rotorua**	Northern (Bay of Plenty)	Reserve with section owned by Racing Rotorua	RT	2	10	11	4	3	1	5						14.41 ha owned by Racing Rotorua	2,200,000	Y for part only
89	Racing Rotorua					8	9					8,692,569	97,029	151,739	581,919	892,146			
90	Rotorua-BOP HC					1	1					See Te Aroha	-	-	-	-			
91	Taumarunui RC					1	1					744,378	3,243	23,408	3,408	75,084			
92	**Wairoa**	Central (Hawkes Bay)	Wairoa RC	R	3	2	2	4	3	1	1						38.58	840,000	Y

	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S
3	Venue and Race Club/s	Area (Region)	Racecourse Land Ownership	Racing(R) Training(T) Harness(H) 2016/2017	Tier Category	Race Meetings Scheduled 2016/17	Race Meetings Scheduled 2017/18	Racing Infrastructure Rating	Facilities Infrastructure Rating	Required Capex Racing Infrastructure ($M)	Required Capex Facilites Infrastucture ($M)	Net Assets 2016/17 ($)	Net Profit/Loss 2016/17 ($)	Operating Cash Flow 2016/17 ($)	Net Cash Flow 2016/17 ($)	Cash Balance End 2016/17 ($)	Land Area (Ha)	Rateable Land Value ($) based on Current Zoning	Land Saleable Yes/No
93	Wairoa RC					2	2					1,058,389	(4,077)	(37,427)	(50,334)	63,297			
94	**Stratford**	Central (Taranaki)	Stratford RC	R,T,H(1mtg)	3	1	1	4	3	1	1						63.5	3,310,000	Y
95	Stratford RC					1	1					2,109,754	22,295	(11,820)	(24,893)	131,903			
96	**Hawera**	Central (Taranaki)	Egmont RC 50%	R,T,H(3mgts)	3	4	4	4	5	1	4						42.09	920,000	Y for 80%
97	Egmont RC					4	4					3,472,607	19,763	41,738	31,151	75,907			
98	**Waipukurau**	Central (Hawkes Bay)	Waipukurau JC	RT	3	2	2	4	3	1	1						51.36	300,000	Y
99	Waipukurau JC					2	2					814,946	(24,771)	(15,350)	99,023	212,690			
100	**Woodville**	Central (Manawatu-Wanganui)	Woodville - Pahiatua RC	RT	3	5	5	4	2	1	4						33.9	848,000	Y
101	Woodville - Pahiatua RC					5	5					1,065,781	18,089	14,551	14,551	101,598			
102	**Reefton**	Southern (West Coast)	Reefton JC and RTC	R,H(2mtgs)	3	1	1	5	5	1	1						19.74	290,000	Y for 50%
103	Reefton JC					1	1					428,911	(17,522)	(13,186)	(15,183)	13,245			
104	**Greymouth**	Southern (West Coast)	Greymouth JC	R	3	1	1	4	3	2	2						40	714,000	Y
105	Greymouth JC					1	1					2,049,634	(43,809)	(29,090)	(13,106)	267,853			
106	**Hokitika**	Southern (West Coast)	Westland RC	R	3	1	1	2	2	1	1						20.2	1,351,000	Y
107	Westland RC					1	1					2,207,160	(33,311)	(16,848)	(10,881)	42,531			
108	**Motukarara**	Southern (Canterbury)	Council Lease with Sports Centre owned by Banks Peninsula RC 50% and BPTC 50%	R	3	1	1	5	4	1	1						2.43	1,321,000	Y for part only
109	Banks Peninsula RC					1	1					522,407	21,237	20,697	10,714	79,438			
110	**Timaru**	Southern (Canterbury)	Reserve	R,T,H(6mtgs)		7	7	5	4	2	4						19.62	1,230,000	N
111	South Canterbury RC					7	7					620,986	(18,697)	22,537	33,009	509,780			
112	**Kurow**	Southern (Otago)	Kurow JC	R	3	1	1	5	3	1	1						24.3	375,000	Y
113	Kurow JC					1	1					409,158	4,799	19,986	(79,603)	21,405			
114	**Oamaru**	Southern (Otago)	Reserve	R,H(9mtgs)	3	3	3	5	3	1	4						64.27	1,125,000	N
115	Oamaru JC					3	3					178,843	7,794	3,296	(106,733)	24,964			
116	**Waimate**	Southern (Canterbury)	Reserve	R	3	1	1	4	1	1	1						26.1	446,000	N
117	Waimate RC					1	1					212,169	11,141	24,489	(75,511)	90,851			
118	**Omakau**	Southern (Otago)	Central Otago RC and COTC	R,T,H(1mtg)	3	1	1	3	4	1	1						48	1,200,000	Y for 50%
119	Central Otago RC					1	1					759,012	(364)	(6,510)	(6,160)	60,282			
120	**Winton**	Southern (Southland)	Council Lease	R,T,H(8mtgs)	3	1	1	5	4	1	1						80	NA	N
121	Winton JC					1	1					170,591	(8,817)	(24,333)	(72,646)	106,066			
122	Wairio JC					0	0					75,788	3,153	49,210	49,924	103,067			
123	**Gore**	Southern (Southland)	Gore RC	R,T,H(5mtgs)	3	5	5	5	5	1	1						53.22	1,000,000	Y
124	Gore RC					4	4					950,422	12,996	31,561	(19,627)	163,700			
125	Tapanui RC					1	1					246,951	(8,471)	(3,850)	(4,398)	148,300			
126	**Wyndham**	Southern (Southland)	Council Lease	R,H(6mtgs)	3	1	1	3	3	0	0						20	NA	N
127	Wyndham RC					1	1					303,554	(83,854)	499	848	42,168			
128	**RACE GROUP**											17,035,234	(1,863,357)	62,822	61,461	75,058			
129																			
130	**CLUBS WITH TRAINING ONLY OR NOT RACING**																		
131																			
132	Masterton RC (Opaki)	Central	Masterton JC	T								See Tauherenikau					45.16	1,330,000	Y
133	Cambridge JC	Northern	Cambridge JC	T						See Cambridge		See Te Rapa					61.32	2,760,000	Y
134	Foxton RC	Central	Leased from Manawatu RC Board	T								754,134	(9,581)	(32,209)	101,740	127,020	42.82	1,755,000	Y
135	Levin RC	Central	Levin RC	T								See Otaki					9.21	2,088,000	Y
136	Rangiora	Southern	Canterbury JC 7/12, Rangiora HC 5/12	T, H(12mtgs)								See Riccarton Park					48.77	1,240,000	Y for 7/12
137																			
138	**TOTAL EXCL. WAIKATO**					319	321			133.5	160.5	266,995,115	1,296,473	1,805,200	1,241,046	13,066,012			

APPENDIX B

NEW ZEALAND THOROUGHBRED RACING VENUES - INDICATIVE FUTURE RACE SCHEDULE AND CLUBS BY VENUE

Venue	Race Meetings Scheduled		Proposed Race Meetings								Indicative Final Clubs By Venue
	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	
Waikato New									5	40	Te Rapa RC, Cambridge JC. Waipa RC
Ellerslie	18	20	20	20	0	0	25	25	25	25	Auckland RC, Avondale RC, Pakuranga HC
Matamata	14	14	14	4	18	20	18	18	18	18	Matamata RC, South Waikato RC,Taumarunui RC
Te Aroha	12	11	11	13	13	5	15	15	15	15	Racing Te Aroha, Thames JC, Rotorua BOP HC
Pukekoe	15	12	12	13	15	15	12	15	15	15	Counties RC
Cambridge	0	0	20	23	25	25	20	20	20	0	Cambridge JC
Te Rapa	19	18	13	13	13	14	13	13	13	0	Waikato RC, Cambridge JC
Te Awamutu	7	7	7	8	8	8	5	5	5	0	Waipa RC
Tauranga	12	12	10	13	13	15	10	10	10	10	Tauranga RC, Racing Rotorua, Rotorua BOP HC, Taumarunui RC
Ruakaka	10	10	10	10	10	12	10	8	8	8	Whangarei JC, DargavilleRC
Taupo	4	4	3	4	5	5	4	4	4	2	Racing Taupo
Te Teko	2	2	2	2	4	4	3	2	2	2	Whakatane RC
Awapuni	18	18	0	20	40	40	40	40	40	40	Manawatu RC, Fielding JC, Martin JC, Masterton RC, Rangiteki RC, Woodville- Pahiatua RC
Trentham	11	11	12	12	0	12	12	8	8	7	Wellington RC
Hastings	13	13	15	0	12	10	12	10	10	10	Hawkes Bay RI , Waipukurau JC
Otaki	14	14	16	16	14	0	15	14	14	15	Otaki Maori RC, Levin RC
Wanganui	11	11	15	15	15	15	0	10	10	10	Wanganui JC
New Plymouth	13	13	14	12	0	12	10	10	10	10	Taranaki TRI, Egmont RC, Stratford RC
Waverley	3	3	5	5	4	3	3	2	2	3	Waverley RC
Tauherenikau	5	5	5	6	6	5	5	3	3	2	Wairarapa RC, Masterton RC
Gisborne	1	1	2	2	2	2	2	2	2	2	Poverty Bay TC, Wairoa RC
Blenheim	2	2	2	2	2	2	2	2	2	2	Marlborough RC
Riccarton Park	23	22	22	20	26	34	25	40	40	40	Canterbury JC, South Canterbury RC (flat mtgs)
Ashburton	6	6	6	4	10	10	10	8	8	8	Ashburton RC, Banks Peninsula RC, South Canterbury RC (jumps mtgs)
Wingatui	11	15	15	17	4	8	11	11	11	11	Otago Rc, Beaumont RC, Oamaru JC, Tapanui RC, Kurow JC, Waimate RC
Invercargill	6	6	7	6	7	6	7	6	6	6	Southland RC, Gore RC, Winton JC, Wyndham JC, Wairio JC
Kumara	1	1	2	3	3	3	3	3	3	3	Kumara JC, Reefton JC, Westland RC, Greymouth JC
Cromwell	1	2	1	1	1	1	1	1	1	1	Central Otago JC, Kurow JC, Otago RC
Waikkouaiti	1	1	1	1	1	1	2	1	1	1	Waikkouaiti RC
Riverton	4	4	4	4	4	4	4	4	4	4	Riverton RC
Dargaville	1	1	0	0	0	0	0	0	0	0	Dargaville Rc
Avondale	11	9	2	0	0	0	0	0	0	0	Avondale JC
Thames	1	1	0	0	0	0	0	0	0	0	Thames JC
Rotorua	11	11	11	12	11	12	0	0	0	0	Racing Rotorua, Rotorua BOP HC, Taumarunui RC
Wairoa	2	2	0	0	0	0	0	0	0	0	Waroa RC
Stratford	1	1	0	0	0	0	0	0	0	0	Stratford RC
Hawera	4	3	3	1	1	0	0	0	0	0	Egmont RC
Waipukurau	2	3	6	5	5	0	0	0	0	0	Waipukurau JC
Woodville	5	5	6	5	0	0	0	0	0	0	Woodville- Pahiatua JC
Reefton	1	1	0	0	0	0	0	0	0	0	Reefton JC
Greymouth	1	1	0	0	0	0	0	0	0	0	Greymouth JC
Hokitika	1	1	0	0	0	0	0	0	0	0	Westland RC
Motukarara	1	1	1	1	1	1	0	0	0	0	Banks Peninsula RC
Timaru	7	6	7	8	8	0	0	0	0	0	South Canterbury RC
Kurow	1	1	0	0	0	0	0	0	0	0	Kurow JC
Oamaru	3	3	4	5	5	3	5	0	0	0	Oamaru JC
Waimate	1	1	0	0	0	0	0	0	0	0	Waimate RC
Oamaku	1	1	0	0	0	0	0	0	0	0	Central Otago RC
Winton	1	1	0	0	0	0	0	0	0	0	Winton JC
Gore	5	5	4	4	4	3	6	0	0	0	Gore RC
TOTALS	321	315	310	310	310	310	310	310	310	310	

Course Proper Rebuild

Course Proper Reconstruction

Course Proper Renovation

Closed for Racing

MAP 1

NZ Thoroughbred Racing & Training Venues 2017/18

MAP 2

NZ Thoroughbred Racing & Training Venues 2024/25

Notes