

EMBARGOED UNTIL MIDDAY, MONDAY 23 NOVEMBER 2009

23 November 2009

One Racing summary

One Racing Industry Taskforce

The taskforce was formed in May 2009 following the recommendations of the New Zealand Thoroughbred Racing governance review that was completed in April 2009.

Taskforce members

- Sir Patrick Hogan
- Bill Gianotti
- Kevin Hickman
- Kerry Hoggard
- Guy Sargent
- Michael Stiasny
- Alistair Sutherland
- Andrew Brown

Taskforce objectives

- Identification of operational savings that would accrue from integrating the management activities of New Zealand Thoroughbred Racing and the New Zealand Racing Board.
- To recommend an organisational structure that would yield such savings.

Key findings

- Cost savings of at least \$7 million per year would be made by sharing services across the four industry administration bodies.
- Cost savings of an additional \$4 million a year could be achieved by adopting a “one industry” approach to delivering racing product.
- The establishment of a new industry body – “Racing and Wagering New Zealand” – to replace the NZ Racing Board and three codes would save \$600,000 a year and reposition the racing industry for considerably improved performance.

The adoption of the Taskforce recommendations is expected to deliver total savings of more than \$11.6 million a year. This should be considered in the context of total stakes payments in the current season of \$90 million.

Recommendations

- 1 New Zealand Thoroughbred Racing, Harness Racing New Zealand, New Zealand Greyhound Racing Association and the New Zealand Racing Board adopt a shared services model to make more efficient use of people and capital and save \$7 million a year in costs.
 - 2 NZ Thoroughbred Racing, Harness Racing NZ, NZ Greyhound Racing Association and NZ Racing Board seek the appropriate legislative environment to establish a new industry body – “Racing and Wagering New Zealand”.
 - 3 Establish a Racing Council to manage the transition process with the following representation:
 - 3 appointees nominated by NZ Thoroughbred Racing
 - 2 appointees nominated by Harness Racing NZ
 - 1 appointee nominated by NZ Greyhound Racing Association
 - Chairman of NZ Racing Board
- The Racing Council will:
 - monitor the transition process
 - in conjunction with a reputable agency be responsible for assessing and appointing seven to nine Directors to Racing and Wagering New Zealand (the Minister of Racing selecting the Chairman from the appointed directors); and if the shared services model is endorsed by all bodies, begin identifying and implementing cost reduction opportunities in the delivery of racing product.

Background

New Zealand Thoroughbred Racing initiated a review of its governance in April this year. The subsequent report recommended “the creation of a new and potentially quite different organisation”¹ comprising the three Codes and the Racing Board, subject to agreement of all parties.

This recommendation was supported by the Board of NZ Thoroughbred Racing and the NZ Racing Board.

A month later an eight-person Taskforce was established to assess the benefits of integrating operational and governance functions via a “shared services model.”

The Taskforce was provided with information by a project team and the Industry Efficiency Group, comprising representatives of the three codes and the NZ Racing Board.

¹ BoardWorks International *NZTR Governance Review* April 2009 [page 46]

The Taskforce found that the racing industry could save at least \$7 million a year if Harness Racing NZ and the NZ Greyhound Racing Association were involved in the shared services model.

In addition, a further \$4 million a year could be saved by adopting a “one industry” approach to delivering racing product.

The Taskforce also recommended the industry seek the appropriate legislative environment to establish a new industry body – “Racing and Wagering New Zealand” – to replace the NZ Racing Board and three codes, which would save \$600,000 a year and reposition the racing industry for considerably improved performance.

The total savings of \$11.6 million a year are equivalent to an increase of more than 12.5 per cent in total stakes payments (currently \$90 million).

The case for change

Decades of social and economic change have created ongoing pressures on New Zealand’s racing industry and the industry hasn’t kept up with these changes.

To respond to these pressures, various stakeholders have called for major restructuring of the industry to become more efficient, agile and sustainable.

These calls have included three major government reports (Finlay 1946, McCarthy 1970, McIlroy 1991) and many industry generated reports.

In summary, these independent expert reports have recommended that:

- the racing industry faces up to the reality that it is not ideally positioned to adequately cope with the social and economic forces that it confronts; and
- the governing bodies of the industry, by nature of design, are ill-equipped to reposition racing for improved performance.

Despite the forcefulness and logic of the arguments for change, the racing industry has not implemented many of the major recommendations. This is mainly due to the fragmented nature of the industry.

The Industry Taskforce has concluded that the racing industry must change quickly to make effective use of people and capital and to provide the best possible experience for clubs, members, owners, breeders, trainers, jockeys, sponsors, betting agents, punters and taxpayers.

Racing needs strong and decisive leadership, a coherent and consistent vision and strategy, and the ability to implement that strategy quickly.

Participants in the racing industry must now decide whether to:

- Be active proponents in a positive change for the benefit of the industry; or
- Allow the current inefficiencies to continue, until fate or government dictates change.