



## Deputy Prime Minister

Minister of Foreign Affairs

Minister for Disarmament and Arms Control

Minister for State Owned Enterprises

Minister for Racing

Dean McKenzie  
Chair, Racing Industry Transition Agency  
[dean@mckenziesport.com](mailto:dean@mckenziesport.com)

## Minister's Letter of Expectations - TAB NZ 2020/2021

This letter sets out the matters the Minister for Racing (the Minister) expects the Board of TAB NZ to address in the business planning process for the 2020/21 financial year. This Letter of Expectations is provided under Clause 25 of Schedule 1 of the Racing Industry Act 2020 (the Act).

This has been a challenging period for the racing industry. The Government's legislative response was driven by an immediate need to reverse the decline of the industry. Further swift action was also needed to respond to COVID-19, with its corresponding lockdowns and financial implications.

The Minister would like to take this opportunity to thank TAB NZ for its work in implementing the reforms thus far, while also dealing with the sharp disruptions of COVID-19. The Minister considers this is a good start, but as everyone in the racing industry is keenly aware, what counts is not how you start but how you finish.

In that light, the Minister sets out the Government's expectations for TAB NZ in 2020/2021.

### ***Drive industry recovery***

As outlined in the Racing Industry Act, TAB NZ will have a greater focus on its commercial operations than its predecessor organisations. In this regard, it is important that TAB NZ has a resolute focus on its sustainability, revenue growth and efficiency gains so it can support the industry to thrive.

However, it is also critical that TAB NZ supports Racing NZ and the Codes to deliver a racing season of excellence. While Racing NZ, the Codes and Clubs will have the lead on planning and marketing racing, TAB NZ should collaborate on opportunities which support revenue growth. A collaborative industry is a successful industry. Once constructed, the new all-weather tracks will help increase revenue flows, especially in the winter. Longer-term TAB NZ planning should look to reflect that.

The Government requires TAB NZ to actively plan contingencies with the Codes in case there is a COVID-19 resurgence. This is important in view of recent events in Australia, which could affect racing in its Eastern seaboard states. Cessation of racing in Australia would have a significant impact on TAB NZ's immediate business and its ability to provide financial support to the racing industry, and hence contingency and accompanying scenario planning for any such eventuality is critical.

For all of the reasons above, the Minister requests that in December 2020 TAB NZ provide an update report on the state of its recovery and contingency planning. The three Codes, through Racing NZ will have responsibility for matters pertaining to the recovery of racing.

### ***Build and maintain reserves***

Ultimately, TAB NZ needs to position itself to meet future shocks without external support. Even from its inception year, TAB NZ should have an eye on the long-term objectives. This requires that TAB NZ is actively considering how to build up reserves and potentially pay down debt.

### ***Work towards an appropriate capital structure***

However, TAB NZ may not be able to achieve an appropriate capital structure solely through retained earnings, especially in the short term. The Department of Internal Affairs (the Department) is undertaking work on this issue and the Minister expects TAB NZ to work closely with the Department's officials on this work stream.

### ***Use of retained Betting levy***

To support the recovery of RITA/TAB NZ, the Government agreed that TAB NZ can retain the betting levy for 2019/20 that it would otherwise remit to Codes and sport. It is appropriate that TAB NZ direct the retained funding to its recovery. In addition, Ministers expect that 2.5 percent of the retained levy should be directed to TAB NZ's harm minimisation activities, in line with earlier decisions regarding the use of the betting levy.

### ***Work closely with Codes and NSOs***

The structural changes created by the new Racing Industry Act 2020 must be regarded as a turning point for industry leadership and sector collaboration. TAB NZ has a role to play to support Racing NZ and the Codes in adapting to their new functions and recovering from COVID-19. TAB NZ must maintain and grow close and constructive relationships with Racing NZ and the Codes and help foster the leadership necessary to drive longer-term plans.

National Sporting Organisations (NSOs) are also important stakeholders. TAB NZ must keep Sport New Zealand and NSOs engaged and informed through the recovery phase and also regarding its longer-term plans.

### ***Continue to build capability at all levels***

It is important that TAB NZ completes its change programme as soon as possible. It is especially important that the TAB appoint a highly capable Chief Executive with demonstrated skills and experience relevant to running a commercial betting operation as a matter of priority.

Both prior to and in response to COVID-19, TAB NZ's predecessor, RITA undertook internal changes to improve efficiency and capability. The Minister expects TAB NZ to continue to demonstrate that it is a good employer, that it critically appraises all aspects of its performance, and that it takes necessary actions to deliver further improvements.

### ***Develop a 5 Year Plan***

TAB NZ should develop a 5-year plan, reflecting consultation with the industry on the long-term direction for TAB NZ. Such a plan will help build a shared vision as well as provide a framework for the recovery and expansion of the industry. The plan will help inform stakeholders such as Government regarding the trajectory for TAB NZ and the industry. The following outlines the content that could be included in the 5-year plan:

- The product development road map
- Targets for debt and equity
- Revenue and margin targets by segment
- Targets for distributions
- Other relevant targets and key performance indicators
- Capital investment plans
- How TAB NZ intends to build and manage its reserves
- Industry, commercial partnering agreements, critical supplier and competitor analysis
- Approach and processes for stakeholder engagement
- The leadership role that TAB NZ will play
- Intentions for development of internal governance and management capability to lead and deliver the plan
- Strategic risks and how these will be managed.

Please provide the proposed plan to the Minister's office having engaged with the Department through the drafting process. This process should be considered in conjunction with the development of any options to recapitalise TAB NZ to inform that work as it develops and be completed by 30 June 2021.

### ***Develop a Statement of Intent***

Whilst acknowledging that TAB NZ is in a transition phase, TAB NZ is required to prepare a Statement of Intent (SOI) for 2020/21. This can be a shorter document than would otherwise be expected. It should focus on the continued recovery of TAB NZ and the racing industry, how TAB NZ will rebuild and any actions it will take. Please liaise with the Minister's office on timing.

### ***Continue to minimise harm***

It is important that TAB NZ's operations reflect that it operates with a social licence to offer wagering products and that this comes with an obligation to minimise harm. TAB NZ should take a robust approach to preventing, detecting and addressing signs of harm among its customers.

## **General expectations**

### ***Reporting***

TAB NZ is to provide written financial and non-financial reports to the Minister's office each quarter. The Department will specify the requirements for these reports. In addition, there is a "no surprises" expectation, under which TAB NZ is required to inform the Minister's office and the Department of any material matter that arises and respond promptly to information requests received from the Department or the Minister's office.

### ***Core accountability documents***

Please have regard to central agency guidance when preparing your core accountability documents, such as the Annual Report. Please engage with the Department early in each document's development and ensure that documents are prepared within the required timeframes.

### ***Compliance with legal requirements***

TAB NZ operates in an increasingly complex legal and compliance framework and needs to have strong policies, systems and processes in place. The requirements related to anti-money laundering are particularly important to observe because criminal elements will seek to exploit any weaknesses in systems and processes.

### ***Conflicts of interest***

It is important that the Board continues to carefully manage any potential or perceived conflicts of interest. The Minister expects all Board members to adhere to Board policies and State Sector guidance on conflicts of interest, and respect collective decisions and responsibility. Please advise the Minister if there are any potential, emerging or actual conflict issues.

### ***Effective working relationships***

The Board's open and transparent way of working with the Minister's office and the Department is appreciated. Such a "no surprises" approach should be maintained. Please inform the Minister's office well in advance of any material, event, transactions and other issues, that could be considered contentious or attract wide public interest, whether positive or negative. Please continue to engage closely with the Department on such matters.

In conclusion, the Minister would like to wish TAB NZ all the best for its future work. Its role will be instrumental to ensuring New Zealand's racing industry is world class.

Yours sincerely

A handwritten signature in black ink that reads "Winston Peters". The signature is written in a cursive, flowing style.

Rt Hon Winston Peters  
**Minister for Racing**