



12 October 2018

Racing Review
Department of Internal Affairs
Wellington

NZRB Submission - Review of the New Zealand Racing Industry

I am pleased to enclose the New Zealand Racing Board's submission on Mr John Messara's Review of the New Zealand Racing Industry.

We agree the New Zealand racing industry faces a number of significant challenges including: rising costs against prizemoney; underinvestment in ageing racing venues, declining oncourse attendance; and increasing competition for the consumer's discretionary dollar. If racing is to remain relevant and prosper, the collective industry must address all of these challenges head on.

The Racing Board does not consider the status quo sufficient. The Racing Act (the Act) is now 15 years old, and change is necessary to secure the long-term future of the industry. Mr Messara's report touches on many of the challenges faced by the industry, and we welcome much of the thinking behind his recommendations although in a number of areas we differ from his conclusions.

There are five key areas of recommendation addressed in this submission:

1. **The Board does not support the need for a Racing Industry Transitional Agency (RITA).** The Board already has an established mandate that can operate as a transition agency up until legislation is enacted that formalises any new arrangements. There are a number of vacancies on the Board to which new appointments can be made. Furthermore, the Board is leading two existing programmes with all Codes which are progressing venue consolidation and evaluating outsourcing. These programmes would be slowed, and business continuity would be lost by the establishment of a new agency.
2. **The Board supports the separation of the Board into two new entities: 'Wagering NZ' and the concept of 'Racing New Zealand.'** A refined mandate through Wagering NZ to focus on commercial performance of the TAB will lift productivity. Devolving racing regulatory functions from the Board will improve decision-making and accountability at the Codes.
3. **The Board opposes unilaterally proceeding with outsourcing the TAB before a commercial evaluation of this option is complete which has established it is clearly in the best long-term interests of New Zealand racing.** Outsourcing is, in practical effect, a sale. There is no real likelihood of reverting back to a New Zealand owned and run TAB once an outsourcing process has started. There are a number of real risks with this type of structure and it is critical that other options (such as corporatisation) are in active consideration, and the status quo is used as a counterfactual.

4. **The Board supports a legislative framework that allows for racefields and modern betting products to help ensure the TAB remains competitive.** The TAB operates in an highly competitive online environment despite having a terrestrial monopoly. These changes will maintain the efficacy of New Zealand's gambling framework, and ensure our racing and sports communities continue benefiting from New Zealanders' betting.
5. **The Board agrees there is a need for fewer racing venues, but any change needs to be progressed through the already established joint-industry Future Venue Plan.** Legally centralising ownership of Club assets is a step too far, and Clubs need to be properly consulted as part of any decisions if they are to support them.

For yet another year under the current management, the Board will deliver on its forecasts. Distributions are up, staff costs are down and we will exceed our operating profit target for 2018 of \$153.9 million. The Board **supports an independent statutory performance and efficiency audit** with a particular focus on costs.

The New Zealand racing industry comprises three Codes, and it is important there is **equity** between them. This report was required to be Thoroughbred-focused, our submission therefore focuses on the implications for the other Codes.

The Board's acknowledgement of the need for change is reflected in the initiatives underway including the evaluation of outsourcing and the make-up of race venues. Change of any sort has risks and it is the responsibility of Board Members to identify and manage these risks. The processes underway reflect the due diligence the Board has deemed necessary for any decisions to be made in the best long-term interests of racing. We strongly recommend they are continued.

Attached is a submission outlining the Board's position on each of the recommendations in the executive summary of the report, and a more detailed appendix outlining the Board's position on all other recommendations included in the report. We would be pleased to discuss our submission in person if requested.

Yours sincerely,



Glenda Hughes
Chair

New Zealand Racing Board

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NEW ZEALAND RACING BOARD SUBMISSION REVIEW OF THE NEW ZEALAND RACING INDUSTRY

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OVERVIEW

The Board has a legislative mandate to operate in the long-term interests of all racing Codes in New Zealand. As a statutory body accountable to Parliament, the Board is in a unique position to advocate for changes that are in the interests of the whole racing sector, sport and the New Zealand public. It is through this lens that the Board has approached this submission.

This submission consists of two parts: an overview outlining key issues and positions on the broader 17 recommendations in the executive summary of the report; and a more detailed appendix outlining specific submissions on each of the other recommendations included within the report.

In response to each recommendation in this submission the Board will draw on four key considerations:

1. That any proposed changes to the Act will impact **all Racing Codes** and sporting organisations, and consideration must therefore be given to the impact on the community as a whole. Change will be more enduring if it is equitable and people have had an active say in the design of the outcome.

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2. That **the punter and the owner** are the two most important figures in racing, and the impact of each recommendation must be assessed against these two perspectives. The TAB is a hard-built and highly valuable asset for the racing and sport industries, and kiwi punters. Any options for the future of this organisation need to be thoroughly analysed against the expectations of the Kiwi punter and long term value for all stakeholders.

3. The need to involve **grassroots racing** in the development of any solutions. Achieving the right mix of racing venues requires active engagement with clubs if it is to be successful. While we do need fewer venues, the exact venues need to be worked through in active consultation with the industry. Without this, implementation will fail.

4. And finally, **momentum and certainty**. Many of the recommendations in the report refer to work already underway, including the Future Venue Plan, and the evaluation of outsourcing the TAB. The industry can make real progress on many of these recommendations itself before any legislative change. There is no need for a transition agency.

A summary of the Board's positions on the seventeen broad recommendations included in the Report's executive summary is included below. A detailed appendix on all other individual recommendations is attached.

Recommendations from Executive Summary of Report

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.**

The Board **supports** this recommendation.

A sharpened mandate to focus solely on commercial performance of the TAB and Trackside will lift productivity.

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,**

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approving betting rules and budgets for the integrity bodies, equine health & research, etc.

The Board **supports in part** this recommendation.

The Board supports the concept of Racing NZ but not the proposed construct (further detail provided in later recommendations)

Although the current roles and responsibilities of each organisation are clearly defined in the Racing Act, over time, respective roles and responsibilities have become ambiguous from the broader industry's perspective. As Mr Messara notes, his recommendations will improve the decision-making and accountability of each organisation.

The Board will be able to develop a change management plan which devolves racing regulatory functions in coordination with the Codes. While legislative change will be necessary to formalise all these arrangements in law, many changes can be made operationally effective in a shorter timeframe.

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

The Board **supports** this recommendation.

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.

The Board **supports** this recommendation.

In his report, Mr Messara does not criticise the performance of the Board other than to note that in his view, outsourcing the commercial functions of the Board will allow it to reach greater scale. Although Performance and Efficiency Audits focus on statutory functions, a wider focus on costs and the Board's strategic direction would provide a useful benchmark for comparison in any outsourcing evaluations.

The Racing Act 2003 requires the Board to undergo a Performance and Efficiency Audit every five years, with the last Audit completed in April 2014. Furthermore, the Board is obligated to consult with the Minister of Racing on the Terms of Reference of the Audit at least four months before it is due to be conducted. Therefore, unless the Racing Act 2003

is amended to remove this requirement and the bill is enacted into legislation by the end of 2018, the Board will be legally obligated to commence the Audit process to make the April 2019 deadline anyway.

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

The Board **supports in part** this recommendation.

The Board is supportive of the principle of developing a more equitable distribution formula but does not believe the proposed formula will stand up to heavy scrutiny by three Codes. Further detail on these concerns are outlined in further recommendations.

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.

The Board **supports** this recommendation.

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

The Board **opposes** the recommendation to unilaterally proceed with outsourcing without clear evidence this will create significant long term value for the New Zealand racing industry.

A decision to outsource the TAB and/or Trackside is, in practical effect, a sale.

The Board is supportive of evaluating the value proposition of outsourcing of TAB and/or Trackside, however this evaluation process must be undertaken with serious commercial due diligence before any decisions are made. The status quo option of not outsourcing must be retained as one option if we are to keep a competitive tension in this process.

There is no real likelihood of reverting back to a TAB that is owned and run by New Zealand once the outsourcing licence has concluded. At this point, control of TAB customers and potentially the brand will be lost. Given the racing industry has built these assets up since 1950, it is appropriate they are consulted on any options to proceed or not with outsourcing once all facts are on the table, and before any decisions are made.

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

The Board **supports** this recommendation.

Further detail on this recommendation is provided in later parts of the appendix.

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

The Board believes this is an issue to be resolved between Codes and Clubs.

The Board acknowledges that the Codes want greater control over their own affairs, and that at a high-level, the assignment of IP by the Clubs to the Codes is consistent with the overall direction of the recommendations. However, in order to operate effectively, Wagering NZ will need formal long-term commitments to secure the use of any IP.

10. Introduce Race Fields 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.

The Board **supports** this recommendation.

Further detail on this recommendation is provided in later parts of the appendix.

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.

The Board **supports** this recommendation.

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

The Board **does not support** this recommendation.

The Board agrees there are too many racing venues in New Zealand, however centralising ownership of venues is not an appropriate mechanism for giving effect to a smaller industry venue footprint.

The legal ownership status of each racing venue is incredibly varied - for example, some venues are fee simple, some are reserve land, some have Iwi interests, some have dual-Code ownership, etc. Legally centralising ownership of venues will not only prove controversial with local communities, but would also be a large and technical programme of work that will stall any progress on achieving the right mix of venues.

The Board believes the best mechanism for giving effect to a smaller industry venue footprint is to adjust Clubs' betting licenses and require them to race at another venue. Once a Club has received the indication they will no longer be able to race at their usual venue from a certain date, the Board and Code will work with them to help them realise their assets and move their race meetings to another venue. While removing the betting license sets a clear direction, ultimately any decision to sell the venue is the Clubs'. Making decisions *with* Clubs, and not *to* Clubs, will provide the most equitable outcome.

The Board and three Codes had already commenced this process with the *Future Venue Plan*, and could have been complete before the start of the 2019/20 racing season.

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

The Board **supports in part** this recommendation.

The Board agrees there are too many racing venues in New Zealand, however there is a need to continue the joint industry approach to venues with the *Future Venue Plan*. Many Thoroughbred venues are in a dual ownership arrangement with Harness Clubs.

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.

The Board **supports in part** this recommendation.

While the Board agrees that funds from the sale of surplus property should go to race venues, in-line with the position on recommendation 12, the Board believes affected Clubs should be consulted as part of this process.

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.

The Board **supports** this recommendation.

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 programme.

The Board **supports** this recommendation.

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.

The Board **supports** this recommendation. Equally, the Board supports the continued growth in prize money for the Greyhound and Harness Codes.

THE NEW ZEALAND RACING BOARD - OVERVIEW

The current management team at the Racing Board has been in place for about three years, with a focus on stabilising the business, building trust and increasing distributions. At an early stage, management identified five projects which would put NZRB in a strong position for future growth. Those projects are:

1. **Optimus** moved us to a managed service arrangement with Spark for our technology and desktops and, at the same time, moved our computing into the Cloud. The Board is now better protected from cyber security threats and the risks posed by natural, and other disasters. This project was the largest technology project that NZRB had undertaken in thirty years, and was completed on time and on budget.
2. The **Fixed Odds Betting (FOB) platform** has seen us partner with OpenBet and international bookmaker Paddy Power Betfair to give New Zealand punters access to products which are equal to anything in the World. Put simply, FOB allows the TAB scale to offer competitive international betting products and focus resources towards developing better New Zealand products - all whilst under industry control. While there has been a small amount of delay not atypical for a technology project of this size, FOB is expected to lift profits by up to \$30 million per year once fully implemented. It will be launched later this year.
3. **Growing the number of active account customers** has been a major focus. We have delivered a number of customer and channels initiatives which has seen the total number of account customers betting with us during the year reach a record of 230,000, up 18 percent on last year. This is a phenomenal rate of growth for a wagering business and one that every one of our competitors would be envious of.
4. The **vision capture** project will see the replacement of our current end of life outside broadcast fleet with new state of the art high definition capable vehicles built for us by Sony. The first of these vehicles has arrived. The project is on time and on budget. Our original assumption was that outsourcing vision capture to others would be best but after careful evaluation it was clear that costs to the industry would actually increase under an outsourced model for no improvement in performance.

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The current Board and Management have been **very focused on costs**. Costs as a percentage of revenue are expected to reduce as the investments we are making drive top line growth. Operating cost growth (that is cost growth excluding those investments) is being successfully controlled with our **operating expenses decreasing by \$5.1 million (3.7%)** in the 2017 year compared to the prior year. Within that, **people costs have decreased by \$4.4 million (6.6%)** on the prior year. Total reported expenses over the same period reduced by \$0.5 million (0.2%) with **underlying expenses decreasing by \$5.1 million (2.5%)** reflecting the deliberate action by NZRB Board and Management.

Despite the challenges that the lack of race fields poses to our **profit forecast we will exceed our operating profit target for 2018 of \$153.9 million, \$6.9 million (4.7 percent)** ahead of last year. Subject to racefields, the Board is confident of delivering **\$220 million profit in 2021** that underpins increased funding for the Industry. Beyond that we believe that there is significant potential for further growth. The TAB represents only 15 percent of the gambling market in New Zealand. Growth through both product diversification and by moving into adjacent markets is available.

RACING INDUSTRY TRANSITIONAL AGENCY (RITA)

While not mentioned in Mr Messara's report, in his speech to the industry at the launch of the report, the Racing Minister referenced that he had asked officials to consider the establishment of a Racing Industry Transitional Agency (RITA).

At the time of this submission being finalised, no further details on RITA were publically available, including the mandate and makeup of the group. It is not clear what role RITA could play without a supporting legislative mandate, particularly in regards to the operations of the Racing Board. On this basis, **the Board does not support the formation of RITA** as it is unnecessary as transition functions can be carried out through appointments to the current Board structure.

RITA is envisioned by the Minister to, 'play an important role in changes signalled either today or by decisions to be made by Cabinet.' The Minister also signalled RITA would, 'play an instrumental role in racecourse consolidation.'

The Board already has an established mandate that could support the transition of the industry to any changes. Three Board members have either indicated they are not seeking

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reappointment when their terms expired in August, or have already vacated their seats. The Minister has written to all Board members whose terms have expired that they have been extended until the review period is over.

With the number of vacancies on the Board, and using the existing statutory process for appointments, the Minister can appoint the people necessary to support the industry to transition to any changes. The Board will exist until any legislative change is passed that formalises any new entities.

In an independent governance review of the Board by Kerry McDonald in 2017, Mr McDonald noted the 2012 appointment of almost a whole new Board at once (four new Board members and a new Chair) was poor practice and had an adverse impact on the immediate performance of the Board. Legislative change can take a number of months, if not years, and it's important to retain business continuity and staff certainty at the TAB until this time. This safeguards distributions to the Codes and maximises the value of the business if any transaction is progressed. A new agency and level of bureaucracy will slow existing programmes around venues and evaluating outsourcing.

PART ONE

STRUCTURE OF THE INDUSTRY

In his report, Mr Messara recommends that New Zealand Racing Board be restructured to focus entirely on its commercial wagering, gambling and broadcast operations and leaving industry-related issues to the Codes. The two new entities are proposed to be titled 'Wagering NZ' and 'Racing NZ.' **We support these changes.**

Legislative change will be required to formalise any new arrangements however the Board can work with the Codes to transition any changes at an operational-level as soon as the Government indicates its direction of travel.

A refined focus through Wagering NZ will drive profitability at TAB. The TAB is not just a Kiwi institution but a valuable asset delivering the Racing Industry's main source of revenue and critical income for many New Zealand sports. The FOB project will see the TAB match the best global bookmakers for international sports and racing odds through new data feeds and

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algorithms, and be able to focus its resources towards New Zealand racing and sports betting products.

Any legislative changes or potential outsourcing decisions will take some time to come into effect. It is imperative that the TAB has the certainty to continue operating effectively, and continue delivering revenue for the industry in this time.

The establishment of Racing New Zealand as a consultative forum for the three Codes will see them collaborate on issues such as entering into commercial agreements with Wagering NZ, approving betting rules and budgets for the integrity bodies, equine health & research, etc.

We support this change as devolving these functions to the Codes would resolve any ambiguity as to the roles and responsibilities of each organisation. As Mr Messara notes, the changes will improve the decision-making and accountability of the Codes. As the functions proposed to be devolved to the Codes are currently carried out by the Board, there will need to be a process to manage the transition of these resources in a coordinated fashion.

Key considerations

Consideration needs to be given to the proposed composition of the Racing NZ Board and proposed formula for distributing profits to the Codes. In regards to the composition of the Racing NZ Board, as one option, the proposed Chair could be a final independent arbitrator if consensus is not met. If the casting vote is Code-partisan, then this could prejudice any deliberations at the forum.

As outlined in our submission to Mr Messara as he formed his report¹, a decision to change the current section 16 model should be approached with some caution. The current formula within the Act provides the racing industry with access to all betting profits (and most of the gaming profits) of the TAB and provides considerable flexibility for the Codes to alter arrangements as appropriate.

Any change is likely to create tension amongst the Codes and could threaten their viability in some circumstances. Balancing the competing requirements between racing and sport was a

¹ NZRB Information provided to John Messara, June 2018,
https://nzrb.co.nz/sites/default/files/documents/NZRB%20SUBMISSION%20to%20Mr%20John%20Messara_Jun18.pdf

key challenge in the framing of the Racing Amendment Bill currently before Parliament. The proposed changes to section 16 will raise real issues for the Codes not only because of issues of equity but also because of the difficulty of assessing the *economic contribution* metric with sufficient accuracy.

While it is a good report for its purpose, it is questionable whether the IER report² used as proposed measure for *economic contribution* was written with sufficient accuracy to withstand the heavy scrutiny of three racing Codes looking to maximise their share of distributions. Furthermore, it is debatable whether a Code's *economic contribution* is an appropriate metric at all given it has no correlation to the Codes' contribution to betting turnover at the TAB.

The importance and scrutiny on how *economic contribution* is determined will be increased by the recommendation to distribute \$13 million in betting levies back to the Codes using the same *economic contribution* metric.

RACEFIELDS

The Racing Amendment Bill 2014 was the first substantive proposed change to the Act before it was withdrawn from Parliament in October 2018. This was an industry-initiated piece of legislation, and its withdrawal was incredibly disappointing for the industry, particularly given the strong support from across the House at its First Reading.

The Minister has indicated that racefields will be included as a part of wider legislation. The Board **strongly supports the need for racefields to be expedited through Parliament**, and reiterates that any further delays to racefields come at significant cost to the viability of the racing and sports betting in New Zealand, and therefore the racing industry.

Racefields allows the charging of racefield fees by the New Zealand industry to international bookmakers who take betting on our product, and introduces a point of consumption charge on bookmakers accepting the bets of Kiwis who choose to bet offshore. The lack of racefields means the industry is foregoing about \$1 million in revenue per month.

² Size and Scope of the New Zealand Racing Industry - IER, February 2018,
<https://nzrb.co.nz/sites/default/files/documents/NZ%20Racing%20Size%20and%20Scope%202018%20Full%20Report.pdf>

Racefields legislation is already well in place across Australia and in other jurisdictions around the world. As outlined by Mr Messara, it has been a significant driver of the Australian industry's vitality over recent years. The withdrawn Bill only required minor amendment to be workable and pick up Mr Messara's additional recommendations, and therefore should not be a major impediment for the drafting of the wider legislation.

The delay in the implementation of racefields is impacting distributions to the racing Codes and the ability of the Board to hit its profit targets.

PART TWO

OUTSOURCING

Mr Messara made no criticism of the current operations, costs or strategy of the Board in his report other than to assert that in his view broader outsourcing of its commercial operations would generate more value for the industry.

The Board **opposes the recommendation to proceed with outsourcing without clear evidence this will create significant long term value for the New Zealand racing industry**, and recommends the already-initiated process of analysing the risks and benefits of this type of transaction is continued before any decisions are made. The option of not outsourcing must be retained, as should options such as corporatisation, which would retain ownership and control of the asset in New Zealand while clarifying the Codes' ownership.

Outsourcing is, in practical effect, a sale of the TAB and/or Trackside. An outsourcing license would typically be around 25 years long, during which the partner would likely have full control of the TAB's systems, marketing, retail outlets, and most importantly, customers. There is no real likelihood of reverting back to a TAB that is owned and run by New Zealand once the outsourcing licence has concluded. In reality, the conclusion of an outsourcing license would result in further outsourcing negotiations with the same or different partners.

In May this year the Board initiated a project with the Codes to evaluate the value of outsourcing parts or all of the TAB and Trackside called *Desert Gold*. The Board has no view strongly in favour or opposed to outsourcing, but in its obligation to act in the long-term interests of racing the Board has an responsibility to explore any potential areas of value creation. *Desert Gold* is currently at the stage of testing potential partners to assess the value they would pay to be able to run the TAB and/or Trackside. The indicative bids show a

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number of international parties are very interested and value can potentially be created through such a process. However, such transactions depend on the detail, and focus now needs to be applied to matters including: transition arrangements and costs; what guarantees from Government the operators require to deliver on their bids; and, how committed any operator is to continue to invest in the New Zealand business, and prioritise Kiwi racing.

Key considerations

The success of an outsourcing transaction of this kind depends on there being real competitive tension in the process. If bidders believe that outsourcing is a foregone conclusion that will be progressed whatever pricing is delivered the leverage of the industry in this process is potentially weakened. Similarly any view that a specific party is a preferred bidder or has the front running in the process will erode value. Accordingly, the Board's strong recommendation is that the option of retaining the commercial operations internally be the benchmark against which all other bids are considered.

The Board recommends that project *Desert Gold* continues with the three Codes and that a formal report is prepared with options and analysis of the work to date before any final decisions on progressing to the transaction stage are made. Completing a transaction will require detailed due diligence of the Board's business and is likely to require clarity around the statutory environment within which the Board or Wagering NZ will be operating in the future. To support this body of work, the Board also supports Mr Messara's recommendation for a performance and efficiency audit of the Board with a particular focus on operating costs.

Without such a process it is the Board's view that any outsourcing decision will expose the industry to lower returns and greater risk, and once a decision is taken to outsource there is no going back.

NEW PRODUCTS

The Board **strongly supports the recommendation for legislative change to allow new betting products.**

Since the Racing Act was enacted, the Board has been legally restricted in its ability to react and adapt to the changing preferences of the consumer. Furthermore, the advent and growth of New Zealanders choosing to gamble online with offshore providers who are not subject to the same restrictions as the Board has led to a gradual erosion of the wagering regulatory framework in New Zealand to the detriment of the New Zealand racing industry.

Since 2003, the Board has sought to diversify its revenue sources as much as permitted within the legislative and regulatory bounds through which it operates. The two major channels for growth include online and digital channels, and the inclusion of a Class 4 gaming operation. The implementation of the FOB programme will enable the Board to operate an internationally-competitive fixed odds betting platform, but the NZRB will still not be legally permitted to fully utilise this and offer the same range of products as its offshore competitors.

The rise of the internet and online gambling has meant the concept of the terrestrial wagering monopoly will continue losing its efficacy if the Board is not permitted to adapt its product diversity to attract and retain customers in an increasingly competitive environment.

The previous Government consulted with the public on allowing the Board to provide more betting products. This included:

1. Betting once a race has jumped, ie. in-race betting. This is currently prohibited under law for racing, although in-play betting for sport is permitted.
2. Allowing the Board to offer betting on sports where there is no agreement with a National Sporting Organisation (NSO). This has created scenarios where the Board couldn't offer bets on popular international sports (like Mixed Martial Arts) if there was a small domestic presence and no NSO. Currently, this scenario is materialising once again with the significant growth in eSports.
3. Allowing the Board to offer novelty betting, ie. betting on Royal baby names etc. While not a major potential revenue earner, novelty betting has strong marketing potential in attracting new customers. Furthermore, the absence of novelty betting in New Zealand is likely to be one contributor to why New Zealanders choose to gamble offshore where these products are legally available.

The Board also submitted to Mr Messara that the TAB be legally able to offer virtual racing products. Virtual racing is a computer simulation of an actual horse (or greyhound) race. Although it creates the appearance of an actual race, it is a fixed-odds betting system in which the outcome is determined on the basis of random numbers generated by a computer system. Customers can bet on the race as though it were real.

Virtual racing is provided by offshore gambling operators. The commercial benefits of virtual racing include: providing a different experience for existing wagering customers in store; creating an easy-to-enter product available in retail and online channels for new customers; offering a new entry point to wagering for a wider set of customers; negating the knowledge requirements of live racing; and constantly available activity for existing and new customers.

While there are socio-political concerns around being perceived to be liberalising gambling, the reality is that New Zealanders are already legally accessing these gambling products in offshore markets outside New Zealand's regulatory framework. A 'head in the sand' approach to this issue will see the continued erosion of our regulatory framework to the detriment of New Zealand racing and sports communities, the Government's tax base, and most importantly, the safety of New Zealand gamblers.

PART THREE

FUTURE VENUE PLAN

The Board accepts that there are too many racing venues in New Zealand. Accordingly, the **Board support the recommendations in the report to reduce the number of venues.**

However, there is more work to be done in this area, not least because of the complications around track ownership in some areas (such as Arawa Park in Rotorua which has Iwi interests) and the fact that a number of venues host both thoroughbred and harness race events. **The Board therefore recommends the continuation of the Future Venue Plan:** the collaborative process initiated by the Board and Codes.

The Future Venue Plan can be completed by the end of the 2018 calendar year and implemented for the 2019/20 racing season. This is a large body of work, and the grassroots industry and their communities must be brought along throughout this process in order for

it to be successful. While the Board believes we need fewer venues, if consultation is genuine, there is no reason why we cannot retain the same amount, or many of, the Clubs.

The Board supports the use of surplus funds from surplus tracks and facilities to upgrade those tracks and facilities of remaining venues, however **the Board does not support the specific recommendation to legally vest ownership of Club assets with the Codes.**

The fairest mechanism for giving effect to the venue plan is to signal to clubs of surplus venues that they will no longer receive a betting license at a certain date. With the removal of their revenue source, racing leadership can work with the club to help realise their assets and support them to move to another venue where they can receive a license. Decisions about the future of these community venues need to be made *with* clubs and communities, not simply dictated to them.

Central to our ability to implement these changes is the progress of the synthetic track initiative. We have helped pull together the application for the Provincial Growth Fund with the thoroughbred industry, and **support the recommendation for government investment in these modern facilities.**

APPENDIX

DETAILED SUBMISSION ON ALL INDIVIDUAL RECOMMENDATIONS WITHIN REPORT

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.	
<p>In principle, the Board supports the recommendation of changing the name of the Board to reflect the organisation's new refined mandate.</p> <p>However, consideration should be given as to whether 'Wagering NZ' is the best name for the organisation given 'betting' is more common nomenclature in New Zealand for racing and sports gambling than 'wagering.' Consideration should also be given to the existing recognised brands such as 'TAB.'</p>	
2. Restructure the composition and amend qualifications for Directors of the Board of Wagering NZ.	
The Board supports this recommendation.	
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.	
The Board supports this recommendation.	
4. Initiate a Performance & Efficiency Audit of the NZRB under section 14 of the Racing Act 2003, with an emphasis on operating costs.	

TAB

The Board **supports** this recommendation.

In his report, Mr Messara does not criticise the performance of the Board other than to note that in his view, outsourcing the commercial functions of the Board will allow it to reach greater scale. Although Performance and Efficiency Audits focus on statutory functions, a wider focus on costs and the Board's strategic direction would provide a useful benchmark for comparison in any outsourcing evaluations.

The Racing Act 2003 requires the Board to undergo a Performance and Efficiency Audit every five years, with the last Audit completed in April 2014. Furthermore, the Board is obligated to consult with the Minister of Racing on the Terms of Reference of the Audit at least four months before it is due to be conducted. Therefore, unless the Racing Act 2003 is amended to remove this requirement and the bill is enacted into legislation by the end of 2018, the Board will be legally obligated to commence the Audit process to make the April 2019 deadline anyway.

5. Transfer all racing functions to individual Codes.

The Board **supports** this recommendation.

The Board will be able to develop a change management plan which devolves racing regulatory functions in coordination with the Codes. While legislative change will be necessary to formalise all these arrangements in law, many changes can be made operationally effective in a shorter timeframe.

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.

The Board **supports** this recommendation.

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.

The Board **supports** this recommendation.

8. Confirm that Wagering NZ's statutory monopoly on wagering remains in place and confirm existing advertising restrictions on other wagering operators are retained.

The Board **supports** this recommendation.

Racing Codes

1. Stipulate the role, functions and responsibilities of the Codes and provide for adoption of all racing functions transferred from NZRB.

The Board **supports** this recommendation.

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.

The Board **supports** this recommendation.

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.

The Board **supports** this recommendation.

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.

The Board **supports** this recommendation.

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

The Board **supports** this recommendation.

Racing New Zealand	
1. Establish a consultative forum named Racing NZ to allow the Codes to discuss and agree on matters of mutual concern, including:	
a. Entering into commercial arrangements with Wagering NZ;	
The Board supports this recommendation.	
b. Development of the racing calendar in conjunction with Wagering NZ;	
The Board supports this recommendation.	
c. Approving budgets, plans and administrative support to the JCA, RIU and the Laboratory where required;	
The Board supports this recommendation but notes the need for some independent oversight of these organisations.	
d. 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).	
The Board supports this recommendation.	

Race Clubs

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

The Board **supports in part** this recommendation.

The Board is supportive in principle of encouraging greater diversity and skill sets on Club Committees, but questions the practicality of some Clubs being able to attract the necessary qualifications to voluntary positions, particularly with smaller Clubs.

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

The Board **supports** this recommendation.

Integrity and Animal Welfare

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

The Board **supports** this recommendation.

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.

The Board **supports** this recommendation.

Finance and Distributions to the Codes

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

The Board **supports in part** this recommendation.

The Board is supportive of the principle of this recommendation but has concerns about the formula used to determine respective distributions.

It is questionable whether the IER report used as proposed measure for economic contribution was written with sufficient accuracy to withstand the heavy scrutiny of three racing Codes looking to maximise their share of distributions. Furthermore, it is debatable whether a Code's economic contribution is an appropriate metric at all given it has no correlation to the Codes' contribution to betting turnover or revenue at the TAB. An alternative metric or formula may divide the levy according to the actual contribution to profitability which resulted in that betting levy.

- 2. Amend Section 16 of Act to provide that NZRB (Wagering NZ) profits are distributed to Codes on following basis:**

The Board **supports in part** this recommendation.

The Board is supportive of an equitable distribution formula but has concerns around the proposed formula methodology for reasons listed previously.

- a. 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)**

The Board **supports in part** this recommendation.

- b. 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.**

The Board **opposes** this recommendation in line with previous comments on the accuracy of determining the *economic contribution*, and the need for equity between the Codes.

- 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.**

The recommendation has benefits and risks, and ultimately it is up for the three Codes to determine whether this recommendation is progressed. The benefit of a fixed 10 year period is business certainty for each of the Codes. The risks are being locked into a long term formula with a dynamic and changing industry.

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

The Board **supports in part** this recommendation.

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

The Board **supports** this recommendation.

- 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.**

The Board **supports** this recommendation.

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 Board **supports** this recommendation.

A racefields framework in New Zealand is long overdue. The industry can literally not afford to forego approximately \$1 million per month of revenue as a result of any delays in this legislation.

- 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.**

The Board **supports in part** this recommendation.

Setting the Codes and Sport New Zealand as the default designated authorities is appropriate but any legislation should still allow for each of these groups to appoint another organisation to collect any fees on their behalf. For example, some Codes may not immediately have the internal capability to collect fees on their own and may choose to nominate Wagering NZ or another Code to collect the fees for them they have built this capability. Similarly, some NSOs may wish to collect fees themselves given the fees relate to intellectual property they are responsible for.

The Department of Internal Affairs may be the default designated authority to collect the point-of-consumption fees, however legislation should allow for Wagering NZ to be able to be an appointed designated authority. The Board disagrees with the conclusion that it would be inappropriate for Wagering NZ to collect the point-of-consumption fee. Even without racing regulatory functions, Wagering NZ is more than a normal bookmaker, it is a statutory body accountable to Parliament for operating a betting monopoly on behalf on the New Zealand racing and sports communities.

- 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.**

The Board **supports** this recommendation.

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

The Board **supports** this recommendation.

- 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.**

The Board **supports** this recommendation.

- 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.**

The Board **supports** this recommendation.

- 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.**

The Board **supports** this recommendation.

- 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.**

The Board **supports** this recommendation if DIA are chosen to be the designated authority for the point-of-consumption fee, however consideration should be given to allowing industry scrutiny over the costs of running any administration scheme to ensure it is running as efficiently as possible.

- 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.**

The Board **supports** this recommendation.

- 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.**

The Board **supports** this recommendation.

- 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.**

The Board **supports** this recommendation.

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

The Board **supports** this recommendation and notes the importance of allowing for the grandfathering of existing agreements.

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

The Board **supports** this recommendation.

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

The Board **opposes the recommendation to proceed with outsourcing without clear evidence this will create significant long term value for the New Zealand racing industry.**

A decision to outsource the TAB and/or Trackside is, in practical effect, a sale.

The Board is supportive of evaluating the value proposition of outsourcing of TAB and/or Trackside, however this evaluation process must be undertaken with serious commercial due diligence before any decisions are made. Furthermore, the status quo option of not outsourcing must be retained.

There is no real likelihood of reverting back to a TAB that is owned and run by New Zealand once the outsourcing licence has concluded. Given the racing industry has built these assets up since 1950, it is appropriate they are consulted on any options to proceed or not with outsourcing before any decisions are made.

The Board recommend that project Desert Gold continues with the three Codes and that a formal report is prepared with options and analysis of the work to date before any final decisions on progressing to the transaction stage are made. Completing a transaction will require detailed due diligence of the Board's business and is likely to require clarity around the statutory environment within which the Board or Wagering NZ will be operating in the future. To support this body of work, the Board supports Mr Messara's recommendation for a performance and efficiency audit of the Board with a particular focus on operating costs.

Without such a process it is the Board's view that any outsourcing decision will expose the industry to potentially lower returns and greater risk.

TAB

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.

The Board **opposes** the recommendation to unilaterally proceed with outsourcing without clear evidence this will create significant long term value for the New Zealand racing industry.

2. Seek the approval for the NZRB (Wagering NZ) to:

The rise of the internet and online gambling has meant the concept of the terrestrial wagering monopoly will continue losing its efficacy if the Board is not permitted to adapt its product diversity to attract and retain customers in an increasingly competitive environment.

The previous Government consulted with the public on allowing the Board to provide more betting products. This included:

- a. Betting once a race has jumped, ie. in-race betting. This is currently prohibited under law for racing, although in-play betting for sport is permitted.
- b. Allowing the Board to offer betting on sports where there is no agreement with a National Sporting Organisation (NSO). This has created scenarios where the Board couldn't offer bets on popular international sports (like Mixed Martial Arts) if there was a small domestic presence and no NSO. Currently, this scenario is materialising once again with the growth in eSports.
- c. Allowing the Board to offer novelty betting, ie. betting on Royal baby names etc. While not a major potential revenue earner, novelty betting has strong marketing potential in attracting new customers. Furthermore, the absence of novelty betting in New Zealand is likely to be one contributor to why New Zealanders choose to gamble offshore where these products are legally available.

a. Conduct virtual racing games;

The Board **supports** this recommendation.

The Board also submitted to Mr Messara that the TAB be legally able to offer virtual racing products. Virtual racing is a computer simulation of an actual horse (or greyhound) race.

Although it creates the appearance of an actual race, it is a fixed-odds betting system in which the outcome is determined on the basis of random numbers generated by a computer system. Customers can bet on the race as though it were real.

b. Remove legal restrictions in Section 33(3) of the Gambling Act that prevent the NZRB (Wagering NZ) from acquiring class 4 gaming licence venues;

The Board **supports** this recommendation.

The Board conducts Class 4 gaming at 44 TAB venues across the country which represents approximately three percent of the total number of gaming machines in New Zealand. In FY17-18, total Board Class 4 gaming turnover amounted to \$436.3 million, with \$24.8 million in net gaming revenue available to support the racing and sporting communities.

Proceeds distributed to racing's 'authorised purpose' underpin some of the most fundamental components of the racing industry, such as integrity functions. Specifically, Class 4 proceeds are used to fund 90 percent of the Judicial Control Authority, the Racing Integrity Unit, and the Racing Laboratory. The integrity and reputation of the Board's wagering business is paramount, and these organisations support the Government's appropriate requirement that gambling in New Zealand should come from trusted providers, and have adequate protections for the customer.

The Board has also made available \$4.77 million over three years from Class 4 proceeds into three 'enhancement funds' to support stakes, youth, and racing infrastructure.

The integrity of the Board's Class 4 gaming operations are a major focus for the organisation. The Board's Class 4 operations differ from other Class 4 operators in several respects:

1. Class 4 gaming is only conducted in a venue the Board own or lease, and that is used mainly for racing and sports betting, ie. a TAB Board venue;
2. No alcohol is available in a TAB Board venue, which helps to minimise gambling harm;
3. All staff receive specialist training on how to minimise gambling harm within venues;
4. No ATMs are available within the venues;
5. Board venue operating hours are modest compared to other operators' venues.

On 21 October 2015, then-Internal Affairs Minister, Hon Peter Dunne inserted Clause 33(3) into the Gambling Act (attached as Appendix Two). This clause was inserted without consultation with the Board.

The effect of the amendment is that the Board is now prevented from acquiring any Class 4 venue licence where that venue licence is held by, or was held by (in the previous 5 years) another corporate society. While the Board is not prohibited from applying for 'new' venue licences, most Territorial Authorities have 'sinking lid' policies meaning the Board is significantly hindered in their ability to acquire any additional Class 4 venue licences.

The Board is the only corporate society that has been explicitly singled out in this way, despite the fact that, as mentioned above, the Board only operates around three percent of the Class 4 sector in New Zealand and does so with integrity around gambling harm prevention.

The removal of this legal block would allow the Board to grow its Class 4 operation conservatively, and in line with growth in the racing industry. Conservative growth in line with racing industry growth can be ensured by virtue of the fact that the operation of Class 4 gaming must be the secondary activity at any TAB Board Venue (with the primary purpose being the conducting of racing and sports betting). Accordingly, commentary from some sectors that the NZRB could 'take over' the Class 4 sector is baseless.

c. Conduct in-the-run race betting;

The Board **supports** this recommendation.

d. Conduct betting on sports where there is no agreement with a national sports organisation.

The Board **supports** this recommendation.

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.

The Board supports this recommendation on the basis Wagering New Zealand receives access to IP which it needs to maintain its broadcasting function and continue to invest in that part of the business.

In so far as this recommendation references outsourcing, the Board opposes the recommendation to proceed with outsourcing without clear evidence this will create significant long term value for the New Zealand racing industry.

Clubs, Racecourses & Prizemoney

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.**

The Board **supports in part** this recommendation.

The Board agrees there are too many racing venues in New Zealand, however there is a need to continue the joint industry approach to venues with the Future Venue Plan.

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.**

The Board **supports in part** this recommendation.

The Board agrees there are too many racing venues in New Zealand, however there is a need to continue the joint industry approach to venues with the Future Venue Plan.

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.**

The Board **supports in part** this recommendation, as any decisions need to be made in consultation with Clubs and their local communities.

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.

The Board **supports** this recommendation

- 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.**

The Board **does not support** this recommendation.

The Board agrees there are too many racing venues in New Zealand, however centralising ownership of venues is not an appropriate mechanism for giving effect to a smaller industry venue footprint.

The legal ownership status of each racing venue is incredibly varied - for example, some venues are fee simple, some are reserve land, some have dual-Code ownership, etc. Legally centralising ownership of venues will not only prove controversial with local communities, but would also be a large and technical programme of work that will stall any progress on achieving the right mix of venues.

The Board believes the best mechanism for giving effect to a smaller industry venue footprint is to indicate the removal of betting licenses after consulting with the industry. Once a Club has received the indication they will no longer have a betting license from a certain date, the Board and Code will work with them to help them realise their assets and move their race meetings to another venue. While removing the betting license sets a clear direction, ultimately any decision to sell the venue is the Clubs'. Making decisions with Clubs, and not to Clubs, will provide the most equitable outcome.

The Board and three Codes had already commenced this process with the Future Venue Plan, and could be complete before the start of the 2019/20 racing season.

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.

The Board **supports** this recommendation.

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.

The Board **supports** this recommendation.