



## DRAFT 2016/17 BUSINESS PLAN AND FUNDING POLICY



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## Introduction

HRNZ's draft Business Plan has been developed with an overall key objective to improve the financial viability of the industry for all participants. To address this objective, five key pillars of strategic importance have been identified:

- **Industry**
- **Racing**
- **Funding**
- **Clubs and Venues**
- **Communication and Promotion**

The Board believes addressing these key strategic areas will improve the overall position of harness racing in the challenging and dynamic environment in which we operate. The plan has also been developed in line with the general principle that owners and punters are the two key value drivers in the industry. Improve the position of these two groups and benefits flow onto all other sectors in the industry. All HRNZ's key activities are considered in line with that value proposition.

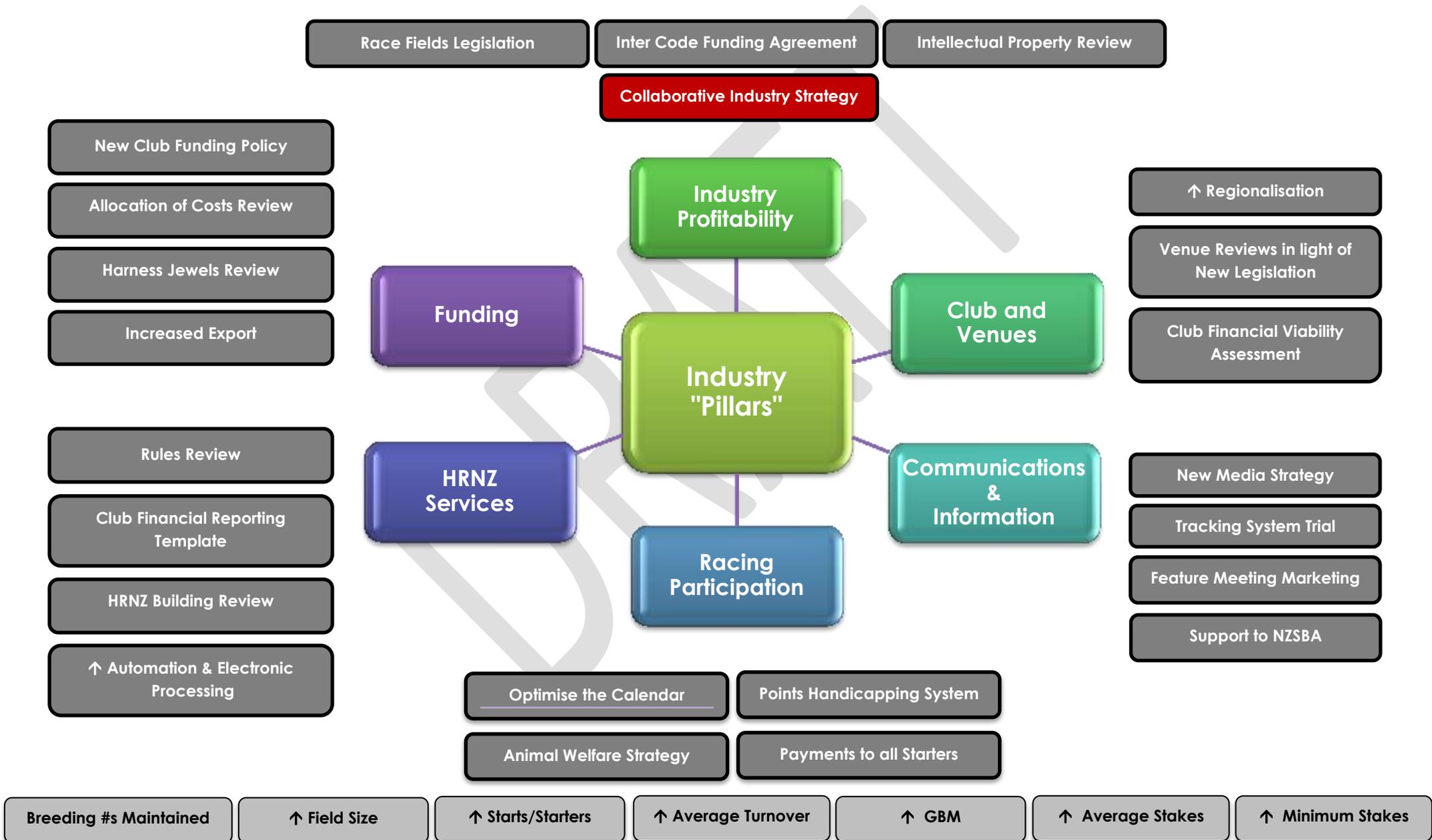
Targets are also provided in relation to HRNZ administrative processes with a focus on providing increased efficient and effective services to the industry.

Outlined in the draft Business Plan are objectives, critical factors, key outcomes and benefits for each of these workstreams. Declining breeding numbers and returns to owners are serious threats to the future sustainability of the industry. The Board of HRNZ is confident, with a collaborative approach with our industry partners and the implementation of the strategies outlined, progress will be made to address these challenges.

This plan is provided to the industry as a draft and feedback thereon is encouraged. The Board of HRNZ will look to finalise this plan at its meeting on 24 August, after considering feedback from this industry consultation phase.



# HRNZ 2016/17 DRAFT BUSINESS PLAN SUMMARY



# HRNZ 2016/17 DRAFT BUSINESS PLAN



<b>Priority</b>	<b>Industry</b>	
<b>Objective</b>	Collaborate with NZRB and other codes to maximise profitability and distributions to the industry	
<b>Critical Factors</b>	<ul style="list-style-type: none"> <li>- Review and implement strategic options and structures for the NZ industry to maximise profitability</li> <li>- New inter-code funding agreement developed and agreed on by the three racing codes</li> <li>- Actively contribute to industry lobbying strategy seeking introduction of off-shore wagering legislation</li> <li>- Develop intellectual property strategy for harness racing in conjunction with clubs</li> </ul>	<p><i>Mar 2017</i></p> <p><i>Apr 2017</i></p> <p><i>Jul 2017</i></p> <p><i>Apr 2017</i></p>
<b>Key Outcomes</b>	<ul style="list-style-type: none"> <li>- Collaborative industry strategy agreed on between NZRB and codes for the future structure and delivery of industry functions, focused on maximising overall industry distributions</li> <li>- Mutually beneficial inter-code funding agreement confirmed by the three codes for implementation in 2017/18 season</li> <li>- Race fields based legislation approved by Parliament for introduction by 1 August 2017</li> <li>- Strategy determined to protect the intellectual property of the harness racing product and information, thereby positioning the code to maximise future commercial opportunities</li> </ul>	
<b>Costs</b>	<ul style="list-style-type: none"> <li>- This project will be covered via HRNZ's internal cost structures with no additional capital expenditure required. There will be some additional operational expenditure with travel for industry consultation meetings that will be covered by HRNZ's operational budgets. Legal advice with respect to industry agreements and intellectual property will be also covered within HRNZ's operational budgets.</li> </ul>	
<b>Benefits</b>	<ul style="list-style-type: none"> <li>- Improved industry profitability and distributions to the codes that increase returns to industry stakeholders (stakes)</li> <li>- Agreement between the codes re the allocation of NZRB distributions in a manner that recognises the different competitive factors facing each code and focuses on collaboratively maximising total profitability for the benefit of all three codes</li> <li>- Overseas operators being required to pay a commercial product fee for taking betting on NZ racing, thereby competing on a level playing field with authorised operators and providing a return to the NZ industry</li> <li>- Code positioned to maximise future commercial opportunities in a dynamic wagering and broadcasting environment</li> </ul>	

# HRNZ 2016/17 DRAFT BUSINESS PLAN



<b>Priority</b>	<b>Racing</b>	
<b>Objective</b>	Provide a competitive and appealing wagering product	
<b>Critical Factors</b>	<ul style="list-style-type: none"> <li>- Trial of Points based handicapping system in the North Island and evaluate the merits of implementing nationally</li> <li>- Contribute to industry Optimise the Calendar initiative to maximise the code's position</li> <li>- Consolidate date changes made in 2016/17, making appropriate adjustments in development of the 2017/18 calendar</li> <li>- Introduce and evaluate the merits of increased payments to all starters to encourage participation</li> <li>- Further development of animal welfare strategy</li> </ul>	<p><i>Oct 2016</i></p> <p><i>May 2017</i></p> <p><i>Mar 2017</i></p> <p><i>Feb 2017</i></p> <p><i>Apr 2017</i></p>
<b>Key Outcomes</b>	<ul style="list-style-type: none"> <li>- Increased average field size, increased number of starts per horse, increased average turnover per race, increased average winning dividend, lower percentage of "hot" favourites, fewer races with less than 8 starters</li> <li>- Racing structures in place through handicapping and programming that create opportunities for a wider pool of horses so as to manage the downturn in horse numbers, while creating an overall environment conducive to increasing breeding numbers</li> <li>- Dates structure determined based on the regional population of horses with a view to minimising costs (industry and stakeholders) while maximising total code turnover</li> <li>- Enhanced Animal Welfare strategy determined with increased consideration on activities and care of horses post retirement</li> </ul>	
<b>Costs</b>	<ul style="list-style-type: none"> <li>- Costs in this area will be covered via HRNZ's internal cost structures with no additional capital expenditure required. There will be some additional operational expenditure with travel for industry consultation meetings that will be covered by HRNZ's operational budgets.</li> </ul>	
<b>Benefits</b>	<ul style="list-style-type: none"> <li>- Even and competitive fields that encourage increased wagering</li> <li>- Increased distribution of stakes to a wider pool of industry participants</li> <li>- Racing environment that encourages participation to better use the smaller pool of available horses</li> <li>- Logical flow of dates with meetings determined on regional considerations rather than historical individual club requirements</li> <li>- Dates structure applied to maximise racing and non-racing revenues and minimise costs</li> <li>- Animal welfare practices applied that enhance the care of the standardbred horse and are consistent with society's increased expectations</li> </ul>	

<b>Priority</b>	<b>Funding</b>	
<b>Objective</b>	Club funding policy applied to facilitate and encourage industry development	
<b>Critical Factors</b>	<ul style="list-style-type: none"> <li>- Increased minimum stakes and payments to all runners</li> <li>- Hybrid of turnover based and bulk funding policy implemented to support club regionalisation model, with 2017/18 policy confirmed at least three months prior to the start of the new season</li> <li>- Merits of and potential framework developed for allocation of NZRB venue services and Trackside costs</li> <li>- Review structure and funding of Harness Jewels</li> <li>- Increased export of NZ harness racing to existing and new markets</li> </ul>	<ul style="list-style-type: none"> <li><i>Aug 2016</i></li> <li><i>Oct 2016/ Apr 2017</i></li> <li><i>Jan 2017</i></li> <li><i>Jun 2017</i></li> <li><i>Apr 2017</i></li> </ul>
<b>Key Outcomes</b>	<ul style="list-style-type: none"> <li>- Increased minimum stakes to \$6,000 and any additional funding directed to “bottom end” of the racing population</li> <li>- New funding model introduced for 2017/18, providing a system to fund clubs that is conducive to supporting regional plans while maintaining a performance basis to encourage positive individual club performance</li> <li>- Cost allocation model applied in relation to Venue Services and Broadcasting costs that is user pays based and incentivises lower industry costs</li> <li>- Harness Jewels format and funding in place that ensures the future viability of this industry event</li> <li>- Increased export commission generated on betting on NZ harness racing</li> </ul>	
<b>Costs</b>	<ul style="list-style-type: none"> <li>- Costs in this area will be covered via HRNZ’s internal cost structures with no additional capital expenditure required. There will be some additional operational expenditure with travel for industry consultation meetings that will be covered by HRNZ’s operational budgets.</li> </ul>	
<b>Benefits</b>	<ul style="list-style-type: none"> <li>- Funding model that facilitates the development of regional plans with clubs based on delivering regional efficiencies and better utilisation of assets</li> <li>- Funding policy that encourages participation and has a greater distribution across a wider pool of owners</li> <li>- Funding policy confirmed earlier to enable more timely budgeting by clubs</li> <li>- Funding system in place to encourage reduced industry costs</li> <li>- Importance and relevance of the Harness Jewels to the overall racing calendar confirmed for the future</li> <li>- Additional funding through increased export earnings applied within Club Funding Policy</li> </ul>	

<b>Priority</b>	<b>Clubs and Venues</b>	
<b>Objective</b>	Continue implementation of the consolidated club structure for Harness Racing Clubs that promotes increased collaboration within regions	
<b>Critical Factors</b>	<ul style="list-style-type: none"> <li>- Promotion of 'Southern Harness' model to other regions not already aligned to a Super Club</li> <li>- Club financial viability reviews updated and strategies developed for those evaluated as 'High Risk'</li> <li>- Ensure Club venue reviews are completed incorporating OSH and Earthquake Strengthening requirements and timeframes</li> </ul>	<p><i>Dec 2016</i></p> <p><i>Nov 2016</i></p> <p><i>Jun 2017</i></p>
<b>Key Outcomes</b>	<ul style="list-style-type: none"> <li>- Introduction of five new regional Club based models</li> <li>- Implementation of strategies to assist high risk clubs to mitigate the specific short term risks they are facing</li> <li>- Complete a full venue analysis in conjunction with regions to ensure future utilisation, investment, OSH and earthquake strengthening factors are considered</li> <li>- Link the above analysis to the racing calendar dates allocation process for 2017/2018</li> </ul>	
<b>Costs</b>	<ul style="list-style-type: none"> <li>- This project will be covered via HRNZ's internal cost structures with no additional capital expenditure required. There will be some additional operational expenditure with travel for dates consultation meetings that will be covered by HRNZ's operational budgets.</li> </ul>	
<b>Benefits</b>	<ul style="list-style-type: none"> <li>- Increased co-operation and efficiency regionally amongst clubs</li> <li>- Improved profitability with increased average turnover per race and a reduction in industry servicing costs (Trackside and NZRB venue services)</li> <li>- Increased consistency in dates structure and more regular patterns of racing within regions</li> <li>- Race numbers matched to regional horse populations with an associated increase in average field size</li> <li>- Increased transparency around the factors immediately affecting 'High Risk' clubs and how these can be addressed</li> <li>- Improved sustainability of racing medium to long term with a more efficient racing model</li> </ul>	

<b>Priority</b>	<b>Communication and Promotion</b>	
<b>Objective</b>	Implement a communications strategy tailored to a changing media and technology environment, and complementing industry (NZRB and club) marketing	
<b>Critical Factors</b>	<ul style="list-style-type: none"> <li>- New media and communications strategy encompassing publications, internet and other media</li> <li>- Implement new tracking system and develop strategy for national coverage and information roll out</li> <li>- Develop integrated ‘premier racing’ strategies to maximise coverage and impact of our best racing</li> <li>- Support for NZSBA Business Plan and implementation of strategies to promote breeding</li> </ul>	<p><i>Dec 2016</i></p> <p><i>May 2017</i></p> <p><i>Mar 2017</i></p> <p><i>Ongoing</i></p>
<b>Key Outcomes</b>	<ul style="list-style-type: none"> <li>- New media and communications strategy fully integrated by the start of next season</li> <li>- Implementation of a tracking system to maximise the available data provided to the wider industry. Targeted information provided to punters as a means to drive turnover on harness racing</li> <li>- The development of a clear and consistent promotional approach to feature meetings aimed at maximising attendance, turnover and wider industry promotion</li> <li>- Cohesive industry programmes to support breeding</li> </ul>	
<b>Costs</b>	<ul style="list-style-type: none"> <li>- The cost for these initiatives will fall within the HRNZ commercial development budget. Currently provision has been included for the reviews and initial development to be completed. Specific project funding identified as supporting the critical factors will be applied for as and when required.</li> </ul>	
<b>Benefits</b>	<ul style="list-style-type: none"> <li>- Efficient and effective promotion of Harness Racing within the wider media environment using the appropriate delivery mediums</li> <li>- Increased punter information provided to punters via a tracking system maximising the appeal of Harness Racing amongst the wagering options</li> <li>- Biometric data provided to trainers and wider industry to increase animal welfare awareness</li> <li>- Stronger awareness of our feature racing will promote the ‘sport’ of harness racing in the wider sporting landscape and drive attendance and turnover at key meetings</li> <li>- Media strategy linked to major clubs and kindred bodies as part of an increasingly co-ordinated industry communications approach</li> <li>- Viability of breeding and numbers bred enhanced</li> </ul>	

<b>Priority</b>	<b>HRNZ Services</b>	
<b>Objective</b>	Ensure HRNZ is an effective, efficient and innovative service provider to the industry	
<b>Critical Factors</b>	<ul style="list-style-type: none"> <li>- Review of HRNZ processes to increase automation and electronic processing</li> <li>- Finalisation and implementation of standardised club financial reporting template</li> <li>- Cost benefit analysis of future options with HRNZ building</li> <li>- Rules review to ensure relevance, appropriateness and ease of reference</li> <li>- Organisational review undertaken of HRNZ</li> </ul>	<ul style="list-style-type: none"> <li><i>Nov 2016</i></li> <li><i>Nov 2016</i></li> <li><i>Sep 2017</i></li> <li><i>Jun 2017</i></li> <li><i>Nov 2017</i></li> </ul>
<b>Key Outcomes</b>	<ul style="list-style-type: none"> <li>- Full functionality of online payments and processing for all HRNZ operations</li> <li>- Review of all industry facing administrative processes and provide online 'live' versions where possible</li> <li>- Finalised club reporting model implemented. This will allow clear and concise analysis to be completed with critical issues addressed quickly and efficiently across the industry</li> <li>- Clear decision and action taken regarding the future ownership of the HRNZ building and the organisation's future location</li> <li>- Amendments made to simplify and make Rules easier to understand and use</li> <li>- HRNZ appropriately structured and resourced to meet the industry's changing requirements</li> </ul>	
<b>Costs</b>	<ul style="list-style-type: none"> <li>- The review and an implementation of online payments, processing and 'live' documents falls under the current HRNZ operating budget. Over and above this further funding may be required for specific projects as and when required with Board approval.</li> <li>- The future of the HRNZ building and subsequent financial impact resides with the HRNZ Board</li> </ul>	
<b>Benefits</b>	<ul style="list-style-type: none"> <li>- Decreased costs to industry participants through efficient online platforms for all administrative processes</li> <li>- Increased abilities within Clubs and HRNZ to undertake consistent analysis on industry wide issues and their impact across the Club base</li> <li>- A clear strategy for the HRNZ property on Lincoln Road will allow a future plan appropriate to the Christchurch real estate environment and the industry's needs to be devised and implemented</li> <li>- Ongoing review of Rules and Regulations ensures they remain relevant and are updated to meet new industry standards and requirements</li> <li>- HRNZ well positioned to represent the code at an industry level and meet customers' needs</li> </ul>	

<p><b>Industry</b></p>	<p><b>Maximise industry profitability</b></p> <ul style="list-style-type: none"> <li>• Review with NZRB and other Codes strategic options/structures to maximise industry returns</li> <li>• Development and finalisation of new Inter-Code Funding agreement</li> <li>• Lobbying to support introduction of Race Fields Legislation</li> <li>• Development of industry intellectual property strategy</li> </ul> <p><b>KPI - increased code distribution</b></p>
<p><b>Racing</b></p>	<p><b>Increased participation</b></p> <ul style="list-style-type: none"> <li>• Introduction and subsequent evaluation of increased minimum stakes and payments to all starters</li> <li>• Trial of Points based handicapping system in North Island and possible implementation nationally</li> <li>• Contribute to industry Optimise the Calendar initiative and maximise code position</li> <li>• Consolidation of dates changes in 2016/17 in development of 2017/18 calendar</li> </ul> <p><b>KPIs - increased average field size, turnover and maximisation of race numbers</b></p>
<p><b>Funding</b></p>	<p><b>Funding system introduced to encourage/facilitate industry development</b></p> <ul style="list-style-type: none"> <li>• Develop regional bulk funding system to support club regionalisation model and increasing minimum stakes</li> <li>• Framework developed for allocation of NZRB venue services and Trackside costs</li> <li>• Review future structure and funding of Harness Jewels</li> <li>• Increased export of NZ harness racing to existing and new markets</li> </ul> <p><b>KPI - new funding model for 2017/18 developed by 30 April 2017</b></p>
<p><b>Clubs and Venues</b></p>	<p><b>Effective and viable club based structure</b></p> <ul style="list-style-type: none"> <li>• Regionalisation model introduced for other regions based on Southland model</li> <li>• Club financial viability reviews updated and strategies developed re those of concern</li> <li>• Ensure Club/Venue plans for OSH and earthquake strengthening developed</li> </ul> <p><b>KPI - introduction of five new region co-operative models</b></p>
<p><b>Communication and Promotion</b></p>	<p><b>Increased information to promote harness racing</b></p> <ul style="list-style-type: none"> <li>• Develop with NZMTC and ATC integrated Premier meeting marketing strategies</li> <li>• New Media and Communications strategy based around publications, internet, other media</li> <li>• Support for NZSBA in programmes to promote breeding</li> <li>• Implement with NZMTC new tracking system and develop strategy for wider, national application</li> <li>• Review Education programmes and implement model specifically tailored to harness requirements</li> </ul> <p><b>KPIs - increased turnover at premier and feature meetings</b></p>
<p><b>HRNZ Services</b></p>	<p><b>Efficient and effective services tailored to customers' needs</b></p> <ul style="list-style-type: none"> <li>• Rules review to ensure relevance, appropriateness and ease of reference</li> <li>• Review of HRNZ processes to increase automation and electronic processing</li> <li>• Finalisation and implementation of standardised club financial reporting template</li> <li>• Cost benefit analysis of future options with HRNZ building</li> <li>• Organisational review undertaken of HRNZ</li> </ul> <p><b>KPI - HRNZ customer feedback and satisfaction survey</b></p>

## Funding Policy

*Details will be confirmed once final figures from the NZRB with respect to the total funding and venue services/Trackside costs per code are finalised.*

### INTRODUCTION

Following is an outline of HRNZ's Industry Funding Policy for the 2016/17 season. This details how funding extended by the NZRB will be applied, including allocations to clubs and stakes. Details of this are largely consistent with the policy applied in 2015/16 and presented to clubs at the 2016 HRNZ Annual Conference.

HRNZ has applied a turnover based funding system since 1997 as it is considered that this sends the appropriate messages to clubs to incentivise performance. Clubs are aware that if they maximise the quality and quantity of their fields, turnover will be enhanced and hence their funding. While there have been variations in the policy over time to provide increased surety in funding to clubs and to adapt to the changing circumstances of the wagering landscape, the fundamental principle of a performance based system underpins the HRNZ club funding model.

The main variation to this in 2016/17 is the bulk funding of Southern Harness Racing and its nine constituent clubs. This is addressed in detail below.

### TOTAL FUNDING

The initial NZRB 2016/17 SOI provided for no increase in funding to the codes from the previous year, with a total distribution of \$134.9m. It is on this number that HRNZ's budgeting for 2016/17 was based. While this was subsequently revised to \$136.2m, as HRNZ's budget provided for a diminution in the balance of the Distribution Account Reserve, no change was made to HRNZ's initial budget.

The opening balance of the Distribution Account at 1 August 2016 is projected to be \$1.75m. HRNZ has a general policy of looking to retain a balance in this of at least \$1.4m to \$1.5m in this account to cover over-expenditure through meetings exceeding turnover budgets. This represents approximately 4% of the Code's annual allocation from the NZRB. It also acts as a buffer to cover subsequent variations in industry funding and thereby provide stability in terms of the funding provided to clubs.

Given the financial pressures facing the industry, HRNZ believes it appropriate that approximately \$0.4m of the balance of the Distribution Account be applied in this year's policy. Key reasons for this are to:

- Maintain industry confidence and stakes levels
- Retain funding to clubs at existing funding policy levels
- Cover some of the reduction in gaming income available to clubs

It is hoped that with an increase in NZRB funding post 2016/17 and some reduction in races/meetings, the existing funding levels to clubs will be able to be maintained in future years. This however will be reviewed annually in the determination of HRNZ's budget for future seasons. HRNZ has always been conservative in its budgeting to ensure the code managed its funds in a fiscally prudent manner while extending the maximum benefit to the industry where possible to maximise stakes and returns to stakeholders. Nothing has or will change in that regard.

Outlined in **Appendix 1**, is details of HRNZ's budgeted use of the industry funding being extended for 2016/17. This is subject to change with finalisation of budgeted turnovers and the previous year's figures. Detailed below is a summary of how these funds are applied across the various expenditure categories of the policy.

Note changes to the 2015/16 policy are commented on specifically below or highlighted by strikethrough text.

## FUNDING APPLIED TO CLUBS

Largely consistent with 2015/16, with the exception of clubs linked to Southern Harness (see comments below), clubs will receive funding on the turnover at their race meetings as follows:

### **On-course Commission**

- All clubs to receive (257 meetings) 16.00%

### **Off-course and Fixed Odds Commission**

- Premier meetings (15) 16.25%
- Super Feature meetings (6) 13.75%
- Night meetings (108) 11.00%
- Other meetings (excl midweek) (80) 10.65%
- Midweek guaranteed meetings (10) \$7,500 per race
- Southern Harness meetings (38) Bulk funded – see below

Off-course turnover and fixed odds commission will be based on the actual turnover achieved. However given the volatility in turnover levels and to provide surety to clubs for budgeting purposes, a funding floor and ceiling will be applied as it has been for the last six seasons. This will be applied as follows:

- Funding Floor – 90% of clubs budgeted off-course and fixed odds turnover
- Funding Ceiling – 110% of clubs budgeted off-course and fixed odds turnover

Under this, if a club's actual off-course and fixed odds turnover for a meeting is less than 90% of its budgeted level, funding will be paid on the budgeted level at 90%. This ensures all clubs know prior to their meetings, what the minimum off-course and fixed odds commission they receive will be. Similarly, if they exceed their budgeted turnover levels by 10%, their funding will be "capped" at 110% of their original budget for that meeting.

Budgeted turnovers have been determined for all meetings by HRNZ, adjusted following consultation with clubs. These have been set to provide at least consistency in funding to 2015/16.

Change to Policy: In 2015/16 Auckland TC and NZMTC standard meetings received an additional 0.35% over other non-feature meetings held by other clubs. This is a long standing differential to reflect the greater stakes expectations on these metropolitan clubs. In 2016/17 this differential has been extended to all evening meetings to cover the greater associated costs for clubs racing at night. The impact of this is an increase in the funding rate for evening meetings at Cambridge Raceway, Palmerston North Raceway and Forbury Park from 10.65% to 11.0%.

### **Southern Harness Racing**

Clubs in the Southland region have developed a regionalised model for introduction in 2016/17. Under this proposal, the initial plan was to pool clubs' Off-Course & FOB commission as part of a co-operative scheme under Southern Harness Racing. A key aim of this is to ensure consistent race programming and stakes across all meetings in the region. Clubs hosting meetings would still receive their On-Course commissions and any Pick 6 payments due, with the Off-Course & FOB component paid to Southern Harness who will be responsible for the payment of stakes. This regionalised model essentially enables clubs in the region to retain their individual identity while working together in a co-operative way to develop and fund racing in the area.

Following consultation with the region, to provide surety for budgeting purposes to Southern Harness, HRNZ has agreed to bulk fund the region its Off-Course and FOB funding component. A schedule has been agreed on whereby \$3.338m will be paid out in programmed stakes over the region's 38 meetings from a bulk funding allocation of \$3.626m. This is a projected increase of \$444K (15.4%) in stakes for the region over the 2015/16 season.

The merits of this scheme will be monitored and evaluated with Southern Harness over the course of 2016/17. HRNZ's is fully supportive of the regional model developed by clubs in the region, looking to introduce a model that is conducive to the positive development of racing in the overall region. The possible adoption of similar schemes in other regions will be the subject of consultation and further review during 2016/17.

Clubs part of the Southern Harness Racing agreement are Central Otago, Gore, Invercargill, Northern Southland, Riverton, Roxburgh, Wairio, Winton and Wyndham.

#### **Pick 6 Payments**

Due to the volatility of turnover levels and variations if there are jackpots, a flat rate payment will be applied to meetings on Thursday, Friday and Sunday as a Pick 6 commission. If there are dual meetings on a day, these payments will be split between the clubs racing regardless of which club hosts the Pick 6.

• Thursday night meetings	\$7,000 ( <del>\$6,000</del> )
• Friday night meetings (split if dual)	\$8,000
• Sunday meetings (split if dual)	\$4,000

#### **Group Races Subsidies**

Subject to races meeting the Group Race Criteria set and approved by HRNZ, subsidies will be paid to Group Races as follows:

##### *Group 1: Minimum Stakes \$100,000 Pacers, \$80,000 Trotters*

• NZ Cup	\$200,000
• Auckland Cup	\$110,000
• Other pacing races (17)	\$90,000
• Other trotting races (8)	\$60,000
• Harness Jewels races (9)	\$10,000

##### *Group 2: Minimum Stakes \$40,000 Pacers and Trotters*

• 21 races	\$17,500
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##### *Group 3: Minimum Stakes \$25,000 Pacers and Trotters*

• 32 races	\$8,000
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##### *Other Feature Race Subsidies*

• Additional Sires Stakes Board races (5)	\$10,000
• Country Cups (3)	\$8,000

#### **Export Commission**

Nil – factored into overall funding and covered in Off-course and Fixed Odds commission calculations. In special recognition however of the NZ and Auckland Cup carnivals and premier meetings with their higher average export turnover, consistent with previous seasons one off payments will be made as follows to the two metropolitan clubs:

• NZMTC	\$120,000
• Auckland TC	\$70,000

#### **Premier Meeting Support**

Following a review in 2013/14, new criteria was introduced for Premier meetings. HRNZ, NZMTC and Auckland TC restructured the dates of these to provide a more logical and consistent placement of these meetings through the season, while also enhancing the profile of these through increased stakes and marketing. Minimum programmed stakes for all races at premier meetings was set at \$20,000 which has been maintained in subsequent seasons. Financial support will be extended to the two clubs to support the Premier meetings consistent with previous seasons as follows:

• General premier stakes support	\$100,000
• Premier marketing support	\$55,000

### ***Minimum Stakes - Additional Also Ran Stakes Supplement***

Excluding premier meetings (\$20,000), the minimum stakes to be programmed for races at all other meetings is \$6,000 (~~\$5,000~~).

Clubs will also be required to apply a stakes distribution model that guarantees:

- In races with a programmed stake of under \$20,000 - a minimum of 2% is to be paid to every starter
- In races with a programmed stake of over \$20,000 – a minimum of 1.5% is to be paid to every starter, provided the stakes quantum is at least \$400

The increase in the minimum programmed stakes reflects a desire to increase returns at the lower levels of the industry. The requirement to pay 2% to all starters, which some clubs are already doing, recognises that participation levels need to be increased to maintain the code's overall position. There is a clear link in turnover to field sizes and every starter generates income for the code. Providing a minimum payment to owners for their support is a key driver in increasing participation and returns to a wider group of participants.

An additional Stakes Supplement payment of \$50 will also be paid to all runners placed outside the first four in races with programmed stakes of less than \$20,000. The estimated annualised cost of this is \$826k based on previous years racing numbers. This will be added onto each stake and paid to clubs following every raceday. This is to be partially funded by the discontinuance of the Travel Subsidy Scheme – see comments below.

In developing these initiatives, the HRNZ Board has listened to considerable feedback received from participants on the need to support the “grass roots” levels of the industry. The primary goal of these initiatives is to ensure that the focus of future funding is targeted where the majority of participation occurs and to ensure there is a sustainable industry for future growth.

These stakes strategies will complement the current policies of clubs and increase return to all owners, thereby providing a platform to stimulate industry confidence and activity. The initiatives are designed to mitigate increased costs for owners and HRNZ will continue to strive to implement policies that benefit as wide a group of participants as possible subject to the financial constraints we are working within.

## **OTHER ITEMS NOT SPECIFICALLY FUNDED TO CLUBS**

### ***HRNZ Operations and Projects***

An allocation is made from the Distribution Account to cover HRNZ's administration and projects. Previously a large part of this was funded from a levy charged to clubs, however from 2012/13 this has been “top sliced” from the funding as it was more administratively efficient. HRNZ provides an operational budget pursuant to its constitution which is reviewed and approved by clubs and kindred bodies at the Annual General Meeting. HRNZ is essentially a non-profit organisation, funded by transaction fees and this industry allocation. In 2016/17, \$2.37m is budgeted to be applied to HRNZ operations (consistent with 2015/16) and \$0.30m for projects (\$0.35m in 2015/16). The allocation for projects covers HRNZ trading activities through its subsidiary holding company, Cardigan Bay Holdings Limited.

A copy of HRNZ's operational budget is separately **attached** to this document.

### ***Travel Subsidy Scheme***

Initially introduced with NZRB financial support in 2006, the travel subsidy scheme is to be discontinued in 2016/17. The original purpose of this scheme was to defray owners' costs in travelling outside their region and encourage increased participation. This initiative has been replaced in the 2016/17 by the additional Stakes Supplement to also rans which is seen as a more effective way to support participation.

### ***DNA/Bloodtyping Fees***

In 2013/14 HRNZ zero rated these fees and funded the overall cost from the Distribution Account. The major purpose of this was to signal that the industry was cognisant of the financial pressures facing breeders and to reduce their costs in a small way. This approach will be continued in 2016/17 at an estimated annual cost of \$220,000.

**First Aid Services at Race Meetings**

Provision is made for \$230,000, representing the full annual cost of providing first aid services at all race meetings through a national agreement with St Johns.

**NZ Standardbred Breeders Association – Owners Initiatives**

Allocation of \$100,000 to cover the Association's administration and promotional activities, consistent with previous periods (introduced in 2008). \$30,000 will be set aside for Ownership Promotions, consistent with 2015/16.

**Public Relations- Health & Safety Consultancy**

Consistent with previous periods, a provision has been set aside to cover consultancy costs involved with public relations, political lobbying and health and safety advice. In 2016/17 this is projected at \$100K (\$150K budgeted in 2015/16).

**NZRB Event Services and Trackside Operations Recoveries**

Within the industry funding model, the NZRB charges the codes on a per meeting basis for venue services recharges, radio and Trackside recoveries. Traditionally clubs have been charged for the venue services costs, with these charges deducted from their next day settlements. The radio and Trackside recoveries are "top sliced" within the funding policy, prior to determining the funding available for distribution to clubs and the industry. Allowance is also made for Alexandra Park meetings which are covered by Magness Benrow rather than Trackside. The estimated cost to the funding policy for this in 2014/15 is \$3.345m.

In 2016/17 HRNZ will undertake a review as to the merits of directly allocating these costs to clubs in line with a more direct, "user pays" cost allocation model.