

31 March 2017

CIRCULAR NO 1701

TO: THE SECRETARY, ALL TOTALISATOR CLUBS AND KINDRED BODIES

FROM: EDWARD RENNELL, CHIEF EXECUTIVE

SUBJECT: BOARD NEWS – JANUARY AND MARCH 2017

Following is a summary of major matters considered at the HRNZ Board meetings on 20 January and 10 March.

1. NZRB Industry Enhancement Funds

In late January the NZRB announced that it would provide an additional \$4.77m in funding over the next two and half years to support stakes, industry infrastructure and young people's entry into the industry. This is across the three codes and is funded from the NZRB's Class IV gaming activities. As such, use of these funds will be based on application in line with standard gaming authorised purposes.

The NZRB has advised the funding is as follows:

	2016/17	2017/18	2018/19
Stakes Enhancement	\$641,000	\$1,100,000	\$1,100,000
Youth	\$145,000	\$250,000	\$250,000
Infrastructure	\$290,000	\$500,000	\$500,000

HRNZ is actively reviewing options in each area to maximise the funding available to our code.

With respect to the stakes component, the codes have agreed that this should be split on an approximate market share basis. The key requirement from the NZRB was to demonstrate this is additional to existing stake levels. Based on close to \$200,000 estimated then to be available to harness for the balance of the season, HRNZ was desirous of injecting this into the "bottom end" of our racing programmes. The Board therefore resolved, with the support of the NZRB, to introduce a \$1,500 stakes supplement for all horses winning their first totalisator race (provided the race is less than \$15,000) for the balance of the season. Further detail on this is outlined in press releases made earlier by HRNZ, copies of which can be found at www.hrnz.co.nz.

With respect to the infrastructure funding, the NZRB has advised that this will be on an application basis, with clubs required to meet at least 50% of the cost of the project. The NZRB criteria is that such projects should improve safety, reliability and the on-course experience for customers. HRNZ is to engage with clubs, particularly strategic venues, to maximise applications from our code.

Similarly with the youth funding, HRNZ is actively exploring initiatives that will meet the NZRB criteria. Options being developed include:

- Provision of safety equipment and driving gear to young licenceholders
- Reduction in fees to young participants
- Increased support for Kidz Kartz

HRNZ will continue to give these areas priority over the next few months, aiming to maximise the positive contribution this funding will make to our code.

2. International Agreement – Tabcorp

The three racing codes have agreed to sign the long form deed of undertaking that the NZRB has negotiated with Tabcorp, outlining international arrangements for the import and export of racing between NZ and Australia. This agreement is for three years, with a right of renewal for three years by mutual consent. While this has been a long process, HRNZ is confident the NZRB has done its best to obtain the optimal position for the industry in confirming these arrangements.

A preliminary meeting has also been held to initiate discussion on the Inter-Code funding agreement between the three codes. It is hoped this will be concluded for the 2017/18 season, noting that a decision is still awaited on the Greyhound Racing NZ judicial review of the existing agreement.

3. Central Districts Regionalisation Review

HRNZ is continuing to review with clubs in the Central Districts a regionalisation strategy based on the Southern Harness model. The next step is the development of indicative budgets for the combined entity and clubs, as the first step in determining how such a co-operative model could potentially be structured in the region. With the lower income base due to lower average turnovers, the application of the Southland model in the Central Districts will need refinement and potential consideration of other options. HRNZ's intention is to further engage with clubs in the region as results in the current season highlight that the status quo is not sustainable.

4. Handicapping

Considerable discussion has been held at the last two Board meetings on the pending introduction of the Ratings system nationally from 13 March. It was agreed that the Handicapping Sub-Committee would continue to monitor developments closely and make refinements where appropriate. The Board was also conscious of the need for regular engagement with industry participants to educate them and get feedback regarding the operation of the new system.

5. NZRB Event Marketing and Logistics (EML) Division

The NZRB's EML team principally co-ordinate the successful "Christmas at the Races" and "Summer Festival" promotions. The NZRB is currently reviewing the best structure for the delivery of these services going forward and is engaging with the codes in regards to this.

Along with NZTR, HRNZ is supportive of the work undertaken in this area and if this was to be desisted, increased costs would be passed onto clubs who would have to undertake much of the work currently done in this area. HRNZ is supportive of further reviewing the merits of a shared services model with the NZRB and three codes which would enable greater input from codes and clubs into the operations of this unit.

6. Race Fixing Allegations

The Board considered recent media coverage regarding investigations into alleged race fixing in harness racing. From HRNZ's position, industry integrity cannot be compromised and if there is substance to these allegations, these should be vigorously investigated by the RIU and appropriate action taken against the perpetrators.

However, HRNZ is concerned at the timing of these allegations, following on from the recent malicious rumours against a leading stable, with false reports of positive swabs and police raids. If the RIU investigates this matter and finds out there is no substance to these allegations, HRNZ has outlined its clear expectation that strong action be taken against those behind such malicious rumours. These are very damaging to the industry's image and if this is proven to be the case, the person, or persons, responsible must be charged.

7. Canterbury Training Facilities

The Board has undertaken a review of the merits of developing a stand-alone centralised training facility in the Canterbury region, similar to that provided by Franklin Park (Pukekohe) in the Auckland region.

After reviewing this, the Board was not convinced of the need and demand for such a venue, definitely in the short term. While cognisant that this might change in the medium to long term, the Board felt HRNZ was not in a position to commit funds to such a venture at this time given the financial pressures facing the industry. The decision not to proceed was not made lightly with merit seen in the project, however, given the financial pressures facing the industry sadly this was seen as in the "nice to do" category rather than "essential" at this time.

It is likely any further consideration of options in this area will be based around development of existing industry facilities.

8. Inter Dominions – New Zealand Involvement

HRNZ has given consideration to the viability of NZ hosting the Inter Dominions again at some point in the future. Based on the existing three year tender format, HRNZ and our metropolitan clubs (NZMTC and Auckland TC) are not in a position to host these in the immediate future. The financial impost of this would be too great and would impact stake levels across all other meetings during the year if this was to be hosted.

If the series reverted back to a rotation scheme, this position could be reviewed. Based on initial feedback from the two principal clubs, the Board has agreed that while it would keep an open mind on this, at this stage it will not actively pursue NZ hosting the Inter Dominions again in the immediate future. HRNZ remains committed to endeavouring to lift minimum stake levels and believes any additional industry funding is better directed at the "bottom end" of the racing pyramid to sustain industry participation.

9. 2017/18 Dates Calendar

HRNZ has spent considerable time over the last two months reviewing the draft calendar for 2017/18 as released by the NZRB to the industry. Apart from the normal congestion problems brought about by the movement of dates (eg two weeks between Kaikoura and NZ Cup, and resulting one less weekend after Cup week before Christmas) HRNZ's main concerns relate to proposed changes to some traditional holiday dates and the number of Cambridge licences. The proposed movement of Ashburton TC from Boxing Day is one change HRNZ is most opposed to and has made strong submissions to the NZRB thereon.

The NZRB has subsequently released Draft 2 of the Calendar to the industry on 24 March, with clubs having until 7 April to lodge submissions thereon. The total number of licences and races for the code will be largely in line with 2016/17 levels.

10. In Brief – Other Matters Of Note

- **John Street & Ken Breckon** – Attended the Board meeting on 10 March to give their views on the state of the industry and their experiences as breeders/owners/employers. The Board found this informative and was appreciative of their input.
- **Racefields Legislation** – Minister announced 23 March Government’s intention to amend the Racing Act and require corporate bookmakers to pay a racefields fee for taking betting on NZ racing. Copy of related press releases backgrounding this are also separately detailed on www.hrnz.co.nz.
- **HRNZ Fit For Purpose Review** – Consultant Hamish Ott (Gotham Universal Limited) has been engaged to undertake a review of HRNZ’s organisational structure to confirm it is “fit for purpose” in meeting the industry’s needs and expectations. This review involves external and internal engagement, with a report to be made thereon to the Board’s April meeting.
- **NZTR Increase in Minimum Stakes** – NZTR Chair Allan Jackson attended the Board meeting on 10 March to give an overview of NZTR’s increase in minimum stake levels and how this was being funded. The Board resolved that any similar decision from HRNZ be deferred until confirmation is received from the NZRB on funding levels for 2017/18 (see comments below).
- **2017/18 Industry Funding Policy** – At the Board’s April meeting, a half day is to be set aside for strategic planning and review of the current Industry Funding Policy. Included within this will be consideration of whether the current turnover based model is the most appropriate or whether increased bulk funding of clubs has merit. In developing the Industry Funding Policy for next season, the Board remains committed to increasing funding at the “bottom end” and raising minimum stakes.
- **Stakes Clearances on Swabs** – HRNZ has had the RIU amend its processes so that clearance is not given to pay stakes until all testing has been completed. Previously clearance was given following testing by the NZ Racing Laboratory. Some swabs were then sent away for subsequent testing (eg cobalt to Wellington) and in the event these returned a positive result, HRNZ was then left in the position of seeking recovery of the stakes from the owners. The new procedures will ensure this does not happen though it will mean a delay in the payment of stakes beyond the standard two weeks for swabs being tested further.
- **HRNZ Building Review** – quotes being obtained as to the cost in upgrading HRNZ’s building to meet minimum code compliance requirements.
- **ATC Syndicates** – Andrew Jamieson approved as new syndicate manager in accordance with the Bloodstock Syndication Code of Practice. Andrew replaces Rob Carr, who the Board acknowledges has done a great job for the industry in promoting ownership in this capacity.
- **2017 World Trotting Conference** – being hosted by Standardbred Canada in Prince Edward Island on 14 -19 August.
- **Appointment to NZRB Board** – HRNZ has supported the re-nomination of Barry Brown for an independent director’s position on the NZRB.
- **HRNZ 2016/17 Business Plan** – confirmation received from NZRB on approval of this document.
- **Scratching Penalty Regulations** – Currently under review as to the necessity for a Vet’s certificate. Draft changes to be reviewed by the Rules Sub-Committee, along with minor proposed amendments to the Claiming Regulations.

- **NZ Sires Stakes Board** – General update provided by HRNZ’s representative, Darrin Williams. NZSSB currently reviewing the possibility of some additional races for 4YO’s and older to be held possibly after the Harness Jewels.
- **Youth Council** – The Youth Council held its second meeting in February. Some of the ideas the group is considering include how to specifically target on-course youth attendance, ways to decrease participation costs for those under 30 years of age and the feasibility of an apprentice style scheme for Junior Drivers.
- **Animal Welfare Committee** – The Animal Welfare Sub-Committee discussed a range of issues pertaining to the RIU at its most recent meeting, including the recent implementation of the changes to the whip rule. It was clarified that no further action is planned at this stage. Life After Racing is becoming an ongoing initiative that the Sub-Committee is focusing more on and is seeking greater information on. HRNZ and the NZSBA gave an update on the current structure of this and potential ways it could be expanded in the future.
- **Owners Initiatives and Liaison Sub-Committee** – This committee met twice in February and March. Details of its plans and some impending promotions will be outlined in a separate circular to be released in early April.
- **Statistics for the Season to Date** – summary attached (**Appendix 1**) up to the end of February.

11. **Next meeting** – to be held in Christchurch on 18, 19 April.

Regards



Edward Rennell
CHIEF EXECUTIVE