



HRNZ SUBMISSION IN RESPONSE TO JOHN MESSARA REVIEW OF THE NEW ZEALAND RACING INDUSTRY

OVERVIEW

Harness Racing New Zealand (HRNZ) supports the overall direction proposed by the Messara Review and the majority of the recommendations and sub-recommendations. We recognise that many of the recommendations and associated benefits will favourably impact on all three Codes. While the review primarily focused on the Thoroughbred Code, HRNZ stresses that Harness racing as an industry/sport is in a very similar position to Thoroughbred racing, especially with the financial and sustainability pressures currently facing it.

There are six key recommendations that need change. These recommendations are not currently acceptable to HRNZ on grounds of equity, fairness and the long term financial sustainability of racing. In summary, these are as follows:

-) The Racing Industry Transitional Agency (RITA) is not needed: the objectives to implement the recommendations of the report and expedite change are best served through a Transitional New Zealand Racing Board (NZRB).
-) The proposed governance of Racing NZ favours the Thoroughbred Code. Given this body's core strategic functions, a more balanced governance structure is required.
-) Code distribution should be 50% based on domestic Gross Betting Revenue (GBR), 25% on combined domestic and international GBR, and 25% based on Code contribution to the economy.
-) Funds released from the betting levy should be distributed on a GBR basis.
-) Race fields legislation needs to proceed urgently in line with the Messara recommended changes.
-) Outsourcing of wagering needs a full long-term economic, strategic and sustainability analysis of all options.

RACING INDUSTRY TRANSITIONAL AGENCY

When releasing the report to the industry on 30 August, the Minister made reference to the establishment of the Racing Industry Transitional Agency (RITA) to co-ordinate the implementation of recommendations in the report and facilitate the structural change required. No detail is provided in the report regarding RITA, or has been subsequently released to clarify RITA's objectives, role and structure.

HRNZ does not believe that RITA is necessary. We believe the purpose of RITA to drive the change recommended in the report is best served by the appointment of a Transitional NZRB. The terms of several of the current Board members have expired and the appointment of suitable replacements by the Minister in consultation with the Code Chairs, with a clear mandate to implement the industry changes recommended in the Messara report, would provide the industry with the best chance of success in fast tracking the change process.

RACING NEW ZEALAND – GOVERNANCE STRUCTURE

HRNZ believes the governance structure proposed for Racing NZ gives absolute control to the Thoroughbred Code which is unacceptable. Racing NZ will determine race dates and the schedule for race broadcasting both in New Zealand and overseas. This gives the Thoroughbred Code the ability to dominate, or be perceived to dominate, the core drivers of wagering, which is inequitable and of serious concern.

All three Codes need to work together collaboratively to maximise total industry profitability: the governance of Racing NZ must facilitate this. Racing NZ, as proposed, will not achieve this goal. HRNZ believes that as a minimum Racing NZ needs an independent chair, or commissioner, to oversee the organisation's functions. It will also need a small administrative secretariat to carry-out its mandate.

HRNZ believes the three Codes can jointly determine a more mutually acceptable governance and administrative structure for Racing NZ.

DISTRIBUTIONS TO THE CODES – INTER-CODE FUNDING AGREEMENT

HRNZ is supportive of recommendations in the report that maintains the existing funding contributions of each Code and “locks in” a 10 year funding agreement. This increased certainty over a longer period will provide welcome additional security and enhance the effectiveness of Code strategic planning. While not disadvantaged by the proposed amendments to Section 16 of the Racing Act in regards to additional funding, HRNZ questions the equity of the formula outlined in the report.

Having 50% of funding based on the Codes contribution to the economy we believe is questionable and a better balance is required. HRNZ supports 50% being based on domestic GBR, 25% on combined domestic and international GBR and 25% based on Code contribution to the economy. In HRNZ's opinion this would provide better performance levers, including creating incentives to encourage maximisation of total industry turnover and profit. It would also establish a system that would better reflect variations in the level of racing and product supplied by the Codes.

HRNZ applauds the recommendation to repeal the betting levy and distribute the additional proceeds to the Codes. We strongly question allocating this based on the Codes' respective contribution to the economy. The betting levy is a turnover based levy and HRNZ believes domestic GBR is a more appropriate distribution driver.

RACING AMENDMENT BILL – RACE FIELDS LEGISLATION

HRNZ fully supports the recommendations in the report relative to enacting Race Fields legislation and encourages that this be actioned as a matter of urgency.

OUTSOURCING OF TAB WAGERING ACTIVITIES

HRNZ is supportive of the review of wider outsourcing opportunities to determine if such an approach could deliver additional benefits in the medium to longer term.

We acknowledge that a key challenge facing the TAB is scale. NZRB has performed reasonably over time; however there are sustainability issues for the future as internet wagering respects no borders. The commercial challenges facing the TAB will only get larger and more complex. HRNZ supports a full review of all options associated with the wider outsourcing and licensing of NZRB wagering.

HRNZ has no pre-determined position on the potential outcome of the outsourcing and licensing review. Any decision to implement an outsourcing or licensing arrangement away from that provided by the NZRB, has significant irreversible long term outcomes. There will be no going back. The potential additional increase in revenue from such a transaction needs to be openly assessed against the NZRB's strategic and growth initiatives. HRNZ has an open mind and believes the current joint industry review approach with Investec's professional advice is the best way to address this matter.

FUTURE VENUE PLAN

The report makes recommendations regarding the future venue footprint for the Thoroughbred Code nationally. HRNZ acknowledges there needs to be consolidation on a regional basis and that the current venue model is not sustainable.

HRNZ is supportive of the joint NZRB and tri-code review currently being undertaken and believes that this should be progressed in coming months.

Consultation with the clubs and the regions on the future venue plan will be crucial as the industry needs to understand the rationale for, and support the changes subsequently determined. This has the potential to be a political issue, which is best countered by fully engaging with the clubs and the regions and being open on the recommended outcomes 10 years out. The proposed approach of the Future Venue Plan is cognisant of this and will drive the change required in this area.

HRNZ SUBMISSION IN RESPONSE TO JOHN MESSARA REVIEW OF THE NEW ZEALAND RACING INDUSTRY

Following are details of recommendations in the Messara Report and HRNZ's position thereon:

Executive Summary	
Recommendation	HRNZ Response
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.	Supportive in principle. Details to be worked through.
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, approving betting rules and budgets for the integrity bodies, equine health & research, etc.	Supportive in principle though the proposed structure of the Board of Racing NZ as proposed in the report is unacceptable (see comments in Racing NZ section on page 8).
3. Change the composition and qualifications for directors of regulatory bodies.	Supportive in principle. Details to be worked through.
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.	Not supported. Given proposed restructuring of the industry bodies, the need and value in doing this review is questionable.
5. Amend the Section 16 distribution formula of the Racing Act 2003 to a more equitable basis for fixed 10-year terms.	Supportive of 10 year agreement and the principle that no Code gets less. Question however the fairness of the formula proposed in the report and its ability to cater for variations in the level of racing product provided (see comments in Finances & Distribution to Codes on page 11).
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.	HRNZ is supportive of this review, which should include a review of the strategic, performance and accountability criteria in place for the integrity bodies.
7. Begin negotiation for the outsourcing of the TAB's commercial activities to an international wagering operator, to gain the significant advantages of scale.	Supportive of the further review and assessment of the merits of this, compared to what potentially can be delivered under existing arrangements.
8. Seek approval for a suite of new wagering products to increase funding for the industry.	Agreed

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| 9. Confirm the assignment of Intellectual Property (IP) by the Clubs to the Codes. | Agreed on the assumption that the IP relates to broadcast and racing product. |
| 10. Introduce Race Field 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. | Agreed – needs to be addressed as soon as possible. |
| 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. | Applaud this recommendation, however recommend the proceeds be allocated on a domestic GBR basis than economic contribution (see comments in Finances & Distribution to Codes on page 11). |
| 12. Clarify legislation to vest Race Club property and assets to the Code regulatory bodies for the benefit of the industry as a whole. | While the concept is commendable, the practicality of this could stall the further review of options as regions/clubs/venues oppose the legality of this matter (see comments in Clubs, Racecourses & Prizemoney section on page 16). |
| 13. Reduce the number of Thoroughbred race tracks from 48 to 28 tracks under a scheduled program. This does not require the closure of any Club. | While a Thoroughbred issue, the impact on dual venues needs consideration in this assessment. HRNZ is supportive of a joint industry approach to developing a National Future Venue Plan. |
| 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. | See comments in recommendation 12 above. |
| 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. | Thoroughbred issue. HRNZ is supportive of the feasibility study to assess the merits of the proposed Waikato tri-code "greenfields" project. |
| 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. | Agreed. Animal welfare is an ongoing area of focus for all three Codes. Maintaining the industry's "social licence" to race will be an ongoing issue in the future. |
| 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 increased prizemoney is a Thoroughbred issue. However, HRNZ assumes that the allocation of prizemoney between the Codes will be in accordance with the funding agreement. Harness racing has equivalent financial pressures to that of the Thoroughbred Code. |

Wagering NZ

Recommendation	HRNZ Response
1. Rename the NZRB as Wagering NZ.	Agreed
2. Restructure the composition and amend qualifications for Directors of the Board of Wagering NZ.	Agreed
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.	Agreed
4. Initiate a Performance & Efficiency Audit of the NZRB under section 14 of the Racing Act 2003, with an emphasis on operating costs.	Question the point of the recommended audit given other proposed changes essentially over-ride this requirement. As a result this recommendation may be unnecessary and a waste of funds.
5. Transfer all racing functions to individual Codes.	Agreed. Clarification is required as to what is entailed in these functions to confirm the impact on Code resources.
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.	Agreed. HRNZ consider the agreements between Wagering NZ and the Codes should be consistent to ensure equitable treatment of all Codes.
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.	Agreed. Assume the rule changes referred to here is the Betting Rules and not Code rules.
8. Confirm that Wagering NZ's statutory monopoly on wagering remains in place and confirm existing advertising restrictions on other wagering operators are retained.	Agreed. In the modern environment where the internet respects no borders, the effectiveness of this control is reduced in practical terms.

Racing Codes

Recommendation	HRNZ Response
1. Stipulate the role, functions and responsibilities of the Codes and provide for adoption of all racing functions transferred from NZRB.	Agreed (see comments in Wagering NZ section on page 6).
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.	Agreed but would need to confirm the definition of what constitutes independent. Would require an amendment to HRNZ's Constitution.
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.	This is consistent with HRNZ's policy re Collective Responsibility that Board members confirm annually.
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 Parliament.	Requiring Ministerial approval of Code rule and constitution changes in practical terms may require vetting of these by DIA. This may slow the process down and make it more cumbersome. Approval by Wagering NZ or Racing NZ similar to the current process with the NZRB, would be preferable.
5. Participation in the Racing NZ forum with the other Codes to address issues of mutual concern.	Agreed

Racing NZ

Recommendation

HRNZ Response

1. Establish a consultative forum named Racing NZ to allow the Codes to discuss and agree on matters of mutual concern, including:
 -) Entering into commercial arrangements with Wagering NZ
 -) Development of the racing calendar in conjunction with Wagering NZ
 -) Approving budgets, plans and administrative support to the JCA, RIU and the Laboratory where required
 -) 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)
- In HRNZ's opinion, Racing NZ will need to be more than just a consultative forum and will require an organisation structure to fulfil its objectives. A secretariat function will be required to co-ordinate race dates and the schedule for race broadcasting both in New Zealand and overseas, liaison with the other industry organisations (RIU, Laboratory, NZERF and NZEHA) and some IT support. This could be akin to a Codes Shared Services model – will a small, efficient administration unit.
- No issue
- HRNZ is content with involvement in setting the dates calendar. However, HRNZ has a major concern with the proposed Board structure of Racing NZ. The report recommends that NZTR would appoint two directors, one of whom would be the Chair with a casting vote, while the other Codes would appoint one director each. This would essentially give NZTR total control over the operations and governance of Racing NZ, of which setting of dates and broadcasting strategies would be of serious concern for the other two Codes.
- Alternative structures are therefore essential for the Board of Racing NZ, to make this concept acceptable and palatable to the Harness and Greyhound Codes.
- Options include a mutually agreed (or majority) Chair or the potential for an Independent Commissioner to act as Chair. Further review and mutual agreement between the three Codes is required in relation to this.
- No issue
- Agreed. Consultation and direction of RIU will be key to this as well.

Race Clubs

Recommendation

HRNZ Response

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

For smaller clubs this is not considered necessary and in some regions finding suitable/interested independents could be problematic. HRNZ is not supportive of this – with this best left to clubs to consider relative to their own individual circumstances. Noted that some clubs (e.g. ATC, NZMTC) already have provision for the appointment of independent members.

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

Question the necessity for this requirement as it could add an extra level of bureaucracy for the Codes in dealing with clubs. HRNZ's intention is to circulate a standard template based on the amended Incorporated Societies Act and recommend clubs adopt Constitutions consistent with this.

Key issue from HRNZ's perspective is to ensure all club constitutions require assets to vest in the industry on wind up.

Integrity & Animal Welfare

Recommendation	HRNZ Response
1. Appoint a well-qualified independent person to review the overall Integrity model for its efficacy, independence and accountability.	Agreed. HRNZ disagrees with the report (page 18) in seeing efficiencies in stewards cross-coding rather than being Code specific. HRNZ supports the current arrangement of stewards acting for all three Codes. HRNZ also supports increased accountability back to the Codes of these integrity bodies.
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 programme.	Agreed. Animal welfare is and will continue to become an area of increased focus for the Codes in the immediate future.

Finances & Distribution to Codes

Recommendation

HRNZ Response

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| <p>1. Repeal the Government betting levy and distribute proceeds to Codes based on their respective contribution to the New Zealand economy.</p> | <p>HRNZ applauds the recommendation re betting levy and distribution to the industry. HRNZ questions however its distribution being based on the IER economic impact report. This report was not developed for this purpose and given the betting levy is turnover related, its distribution should be based on domestic market share.</p> |
| <p>2. Amend Section 16 of Act to provide that NZRB (Wagering NZ) profits are distributed to Codes on following basis:</p> <ul style="list-style-type: none">) 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)
) Additional amounts are to be calculated as follows:<ul style="list-style-type: none">- 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. | <p>Agreed</p>
<p>While HRNZ could live with this proposal, HRNZ questions its appropriateness and overall fairness. Key problems with this proposal are:</p> <ul style="list-style-type: none">) Incentive for each Code to lobby Wagering NZ for increased level of overseas racing for their Code, which could be contrary to the overall intention of maximising total industry profitability;) Limited scope for funding increases due to variations in the level of product provided by the Codes. <p>The recommendation does encourage the Codes to maximise domestic GBR which is constructive and in the interests of maximising total profitability.</p> <p>Having 50% based on contribution to the economy however could be prejudicial to overall fairness between the Codes.</p> <p>A better balance may be for profits to be distributed to the Codes on the following basis:</p> <ul style="list-style-type: none">) 50% domestic GBR) 25% domestic and overseas GBR) 25% contribution to the economy |
| <p>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.</p> | <p>Agreed. A longer term agreement provides increased certainty for the Codes from a strategic planning perspective.</p> |

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| 4. | Provide for an independent review of the scheme after 10 years. | Agreed |
| 5. | Continue to fund the racing integrity services from NZRB (Wagering NZ) gaming profits. | Agreed |
| 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. | Agreed. Maintenance of existing successful agreements with National Sporting Organisations is important. There have been some ill-informed concerns raised in the media regarding this in terms of funding for sport. Clarification is required that no change is proposed to existing arrangements. |

Racing Amendment Bill

Recommendation

HRNZ Response

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 following changes are recommended to the Bill:

Agreed. HRNZ is fully supportive that the Racing Amendment Bill to introduce "Race Fields" legislation is addressed as a matter of urgency. HRNZ supports these amendments being made to the current Bill and this being progressed as soon as possible.

HRNZ is supportive of the comments made and further detail provided by the NZRB in its submission on matters contained in this section of the report.

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. Agreed
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. Agreed
3. For the purposes of the Consumption Charges, the location of a punter should be determined based on the punter's home address. Agreed
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. Agreed
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. Agreed
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. Agreed
7. Revenue generated under the Consumption Charges Scheme and collected by the Department Agreed

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.

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| 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. | Agreed |
| 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. | Agreed – access to this wagering information is crucial from an integrity perspective. |
| 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. | Agreed |
| 11. | Provide for revenue generated under existing authorisations entered into by the NZRB to be directed to the relevant Code or Sport New Zealand. | Agreed |
| 12. | Consideration should be given to adding custodial penalties for persons found guilty of breaching the legislation. | Agreed. |

Wagering & The TAB

Recommendation	HRNZ Response
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.	HRNZ is supportive of the review of wider outsourcing opportunities. However, any review should also consider what the NZRB could potentially deliver, using the same measures (i.e. time, investment, reach etc.) as applied to the other potential third parties. HRNZ is supportive of the review on a “no commitment” basis to allow full and informed consideration of potential outsourcing options. HRNZ is also supportive of the current joint industry approach to reviewing this (Project Desert Gold).
2. Seek the approval for the NZRB (Wagering NZ) to:	
) Conduct virtual racing games	Agreed
) Remove legal restrictions in Section 33(3) of the Gambling Act that prevent the NZRB (Wagering NZ) from acquiring class 4 gaming licence venues	Agreed
) Conduct in-the-run race betting	Some reservation here – as it could be counter-productive to overall turnover and GBR. The ability to do this properly is the key here. Further consideration of the merits of this product should be undertaken before its introduction.
) Conduct betting on sports where there is no agreement with a national sports organisation	Agreed. If changes are to be made in this area, consideration should also be given to the authority to bet on non-sporting events as well e.g. Dancing With the Stars.
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.	Agreed. Provides for consistent approach to Australia in terms of negotiation with broadcasters.

Clubs, Racecourses & Prizemoney

Recommendation	HRNZ Response
<p>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.</p>	<p>HRNZ is supportive of the joint industry approach in developing a National Future Venue Plan and accepts the need for increased regionalisation with venues. Consultation with the clubs and regions will be crucial in reaching consensus and a way forward with any reduction in racing venues.</p>
<p>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.</p>	<p>Building three synthetic tracks is a Thoroughbred issue. However, HRNZ is reviewing infrastructure requirements at Harness venues as part of the work being done on the future venue plan. HRNZ along with Waikato Bay of Plenty Harness Racing, is supportive of the review of the feasibility of the Cambridge Tri-Code Super Venue.</p>
<p>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.</p>	<p>Thoroughbred issue. Impact however on joint Thoroughbred/Harness venues would need to be considered when determining options in this area.</p>
<p>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.</p>	<p>See comments above. HRNZ is supportive of the further review of the feasibility of this project.</p>
<p>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</p>	<p>HRNZ has reservations around how acceptable and practical the proposal to vest club owned land and other net assets in the relevant Code, is to the affected clubs. This issue has the ability to consume debate and stall progress with recommendations in the report. Vesting of racecourse reserves in the industry via the local clubs is supported by HRNZ.</p>

of the closed venues is sold.

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.

While a Thoroughbred related recommendation, Harness racing is facing very similar issues and financial pressures to the Thoroughbreds. Given scale, the ability to compete with Australian metropolitan stakes will always be debateable. HRNZ has sought ways to broaden the prize pool and introduced a policy of paying 2% to all starters in 2016, which has proven successful in maintaining starter numbers.

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.

This is an ongoing issue given the financial pressures facing clubs. HRNZ's employs a National Venue Inspector on a part-time basis whose role is to work with clubs regionally and improve track management nationally. Annual inspections are undertaken of all venues. This approach has proven to be a resounding success and proactively improved the quality and consistency of racing surfaces produced. Included within the annual venue inspections is a review of facilities to ensure health and safety considerations are appropriately managed.