



SUBMISSION FROM THE AUCKLAND RACING CLUB INC ON JOHN MESSARA'S REVIEW OF THE NEW ZEALAND RACING INDUSTRY

INTRODUCTION AND SUMMARY

This submission is the Auckland Racing Club's (ARC) response to the recommendations in Mr John Messara's Review (the Messara Report) of the New Zealand Racing Industry.

The ARC strongly supports the need for radical change in the thoroughbred industry. It is widely acknowledged that the thoroughbred industry has been on a steady declining path for many years. In short, we cannot continue to keep doing what we are doing and expect different outcomes.

It is instructive to record the many committees and reports on the thoroughbred industry referred to in the Messara Report which have, on numerous occasions, warned of the need for change if the industry is to survive and prosper. It is equally instructive to observe that most of the recommendations from those committees and reports have been ignored and not enacted. Now is the time for action. The ARC appreciates the fact that we now have a Minister for Racing who has provided the impetus by commissioning the Messara Report to enable the industry's future to be successful and making a tangible contribution to New Zealand's economy.

The ARC strongly supports the principles underpinning the Messara Report and, in broad terms, the recommendations in it. Whilst acknowledging that the Messara Report proposes that its recommendations be adopted as a package, undoubtedly there will be some "devil in the detail" in adopting some of these. In this context, the ARC shares the views expressed by New Zealand Thoroughbred Racing (NZTR) in its submission. It is critical that the significant recommendations in the Messara Report be actioned as soon as possible. Accordingly, discussion and process around some of the recommendations e.g. venue closings and ownership of transition arrangement, should not delay action in relation to the more significant and immediate recommendations.

In that regard, it is critical that the appropriate structures should be put in place as soon as possible and that persons of vision and drive be appointed to steer the process. It is also paramount that such persons should be empowered to drive the outcomes set out in the Messara Report. Whilst process and consultation is important to a degree, it is essential that decisions are able to be made so as to maintain the necessary momentum for the change that is envisaged in the report.

In particular, this immediate action and steps are needed in relation to the oversight and decision making at the New Zealand Racing Board (NZRB). Clearly it is imperative that appropriate oversight and direction is required from the new contemplated structures and personnel in order to avoid unnecessary expenses and commitments being made by NZRB which are not consistent with the Messara Report recommendations.



The following are ARC's specific responses to each of the recommendations in the Messara Report. ARC has commented on aspects of the recommendations which it considers need further refinement, or where it feels they could be enhanced to better achieve the best outcome for the industry.

Yours sincerely,

A handwritten signature in black ink, which appears to read 'Paul Wilcox', is positioned below the closing salutation.

Paul Wilcox
Chief Executive Officer
Auckland Racing Club

A summary of the ARC's response to the recommendations report is set out below:

Recommendation	ARC Response
1. Change the governance structure, so that 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.	STRONG SUPPORT
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.	STRONG SUPPORT
3. Change the composition and qualifications for directors of regulatory bodies.	STRONG SUPPORT
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.	SUPPORT WITH MODIFICATIONS
5. Amend the section 16 distribution formula of the Racing Act 2003 to a more equitable basis for fixed 10-year terms.	STRONG SUPPORT
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.	STRONG SUPPORT
7. Begin negotiations for the outsourcing of the TAB's commercial activities to an international wagering operator, to gain the significant advantages of scale.	STRONG SUPPORT
8. Seek the approval for a suite of new wagering products to increase funding for the industry.	STRONG SUPPORT
9. Confirm the assignment of IP by the clubs to the codes.	STRONG SUPPORT
10. Introduce race fields and point of consumption tax legislation expeditiously. These two measures will bring New Zealand's racing into line with its Australian counterparts and provide much needed additional revenue.	STRONG SUPPORT

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 net owners' losses outweighing the NZRB's net profit.	STRONG SUPPORT
12. Clarify legislation to vest Race Club property and assets to the Code regulatory bodies for the benefit of the industry as a whole.	REQUIRES FURTHER WORK
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.	SUPPORT IN PRINCIPLE
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.	SUPPORT IN PRINCIPLE
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.	STRONG SUPPORT
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 program.	STRONG SUPPORT
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.	STRONG SUPPORT
<p>Reinforce the importance of good corporate governance procedures by Race Club controlling boards or committees, improve the race club management skills of CEOs and senior staff, and lift the minimum acceptable standards for racecourses in terms of the presentation of racing tracks, training tracks, facilities infrastructure.</p> <p>Increased attention should be given to ensuring the adequate training of all race club staff and in particular track maintenance personnel.</p>	STRONG SUPPORT

RECOMMENDATIONS ONE AND THREE

Change the governance structure, so that 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.

Change the composition and qualifications for directors of regulatory bodies.

Changes to NZRB role

ARC supports the changes referred to in the Messara Report relating to governance structure. This will ensure that Wagering New Zealand (WNZ) will be focused on the commercial operations of wagering activities and pass on the non-wagering activities to the respective codes who are better placed to address them.

Changes to Code role

ARC is in strong support of NZTR being our governing body with the necessary level of autonomy. History has demonstrated that bundling of the three codes' rights has not delivered the appropriate value to each code.

ARC is supportive of having a series of funding agreements with NZTR in preference to the current funding model. Clearly, there needs to be further work done to ensure that clubs' rights are not being unnecessarily and unreasonably diminished or impacted.

ARC is supportive of the need to have independent directors on the NZTR Board, but is not in favour of this possibly resulting in a large board to accommodate this change.

Changes to race club roles

ARC is supportive of the proposed changes designed to improve the governance and operation of thoroughbred racing clubs. ARC wishes to record that it has a strong commercially-focused board and would pass the test of appropriate "governance and operational experience". Furthermore, it has people on the board with external knowledge of marketing, finance, property and law etc.

ARC does however accept that some clubs do not have the benefit of such expertise and agree that a broad upskilling of personnel is desirable.

RECOMMENDATION TWO

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.

ARC agrees there needs to be alignment between the three codes on a number of issues, in particular in relation to entering into commercial agreements with WNZ.

Whilst accepting the need to create new entities to implement and administer the recommendations in the Messara Report, ARC would issue a plea that there be as few entities as necessary so as to avoid bureaucratic overlap which could stymie or defeat the efficiency and effectiveness necessary to make the industry 'fit for purpose' in the future.

RECOMMENDATION FOUR

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.

ARC agrees with the NZTR submission in relation to this recommendation. Clearly, despite the pleas and need for urgency to implement the changes prompted by the Messara Report, there is going to be a transitional period during which the industry must continue to function as efficiently and profitably as possible.

Inevitably, this will require a reviewed ongoing oversight of the NZRB. Direction on these issues must come from the entity or entities tasked with implementing the changes and accordingly they must be empowered to take whatever decisions they believe are necessary in the circumstances.

RECOMMENDATION FIVE

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

ARC strongly supports the proposed revised distribution formula as it more accurately reflects thoroughbred racing's economic footprint and contribution to New Zealand. ARC also agrees with, and adopts, the submission made by NZTR in relation to this recommendation concerning the need to reflect whether this formula should be enshrined in legislation.

RECOMMENDATION SIX

Initiate a special review of the structure and efficacy of the RIU and allied integrity bodies, to be conducted by an independent qualified person.

ARC supports the review of the Racing Integrity Unit (RIU) and allied integrity bodies. This review needs to be conducted as soon as possible so that any recommended changes can be incorporated into the new legislation.

Also, this review needs to be conducted by appropriately-qualified persons with experience in the operation of integrity services and with independence from the current bodies that comprise our RIU, to ensure a fresh look and vigorous assessment of what is needed in the future.



RECOMMENDATION SEVEN, EIGHT AND NINE

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

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

Confirm the assignment of IP by the clubs to the codes.

ARC strongly supports the outsourcing of TAB's operational activities if doing so delivers an enhanced financial return to the industry vs. the status quo and unsatisfactory returns we currently receive.

To ensure that goal is achieved, the outsourcing negotiations should be supervised and controlled by an experienced and appropriate team that is representative of the three codes who in turn have access to the necessary expertise to carefully analyse and weigh up the options available. And it should have final approval from the codes to ensure that their rights and interests are protected.

ARC feels that further clarity around assignment of intellectual property (IP) and rights of the clubs to NZTR is needed. ARC envisages this would be by way of funding agreements between clubs and NZTR that can help ensure the success and future of the clubs.

ARC supports the approval of a suite of new wagering products to increase funding for the industry, with the caveat that this investment is subject to approval of the relevant bodies.

RECOMMENDATION TEN

Introduce race fields and point of consumption tax legislation expeditiously. These two measures will bring New Zealand's racing into line with its Australian counterparts and provide much needed additional revenue.

ARC strongly supports this recommendation in its entirety. Whilst ARC understands the Minister's decision to defer such legislation - in order to introduce complete and harmonious legislation, this is critical to the future of our industry. We need to ensure that the New Zealand industry is competitive with what is being implemented by the major Australian wagering jurisdictions currently.

The codes need to take responsibility for setting and collecting the race fields' fees as negotiated with overseas operators. On this point, we note that any existing agreements between NZRB and offshore operators need to be terminated and renegotiated in alignment with any and all other agreements.

If the DIA is to administer the consumption charge system, ARC strongly believes that NZTR should be able to negotiate the charge / rates so as to ensure it is commercially viable for the industry.

RECOMMENDATION ELEVEN

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 net owners' losses outweighing the NZRB's net profit.

ARC strongly supports the repeal of the totalisator duty based on the reasoning referred to in the recommendations.

RECOMMENDATION TWELVE

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

Whilst ARC understands the economic and commercial rationale behind this recommendation, nevertheless it agrees with NZTR that this requires further consideration. For example, ARC has proven to be a very strong and commercial “caretaker” of its venue and assets. This has resulted in it generating sufficient funds to be able to add in the vicinity on NZ\$1 million annually to stakes over and above what it receives from NZTR.

ARC's commercial arrangements enable it to invest in its venue and drive considerable income from activities other than racing, which allows for investments now as well as in the future. With respect, in ARC's case it is felt it is best placed to control and manage its assets and resources to best advantage, but accepts that clubs and NZTR should have a closer working relationship in relation to the oversight of business plans.

ARC does, however, agree that in order to make the industry more workable and commercial NZTR needs more input and, in certain circumstances, the power to make decisions which are in the best interests of the industry on a whole. Because of the current structure of the industry, NZTR is often not in a position to make decisions affecting individual clubs or venues which would clearly be for the benefit of the industry. In that context, ARC supports the NZTR submission on this recommendation calling for further dialogue on how best to achieve the desired and necessary outcome to achieve that end.

RECOMMENDATION THIRTEEN

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.

ARC agrees that these steps are necessary and are long overdue.

Importantly, this does not require any club to close, it is merely the venue at which they operate that may change. There needs to be an appropriate consultation process with the relevant clubs to make sure the right venues are earmarked to be closed.

Whilst this might be disappointing for some clubs racing at those venues, the time has come for such decisions to be made in the best interests of the thoroughbred industry. ARC hopes that such discussions will be held in good faith by all parties and that parochialism will be put to one side to achieve the best outcome for all.

If done correctly, this will allow for much needed infrastructure investment in the industry and for those venues earmarked for closure to make a long and lasting contribution to the industry as a whole.

RECOMMENDATION FOURTEEN

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.

ARC agrees with the report that there needs to be investment in the current infrastructure and this is urgently required. The current operating (funding) model is not adequate to allow for this to happen and does not enable for investment on the scale that is necessary to ensure it happens in the future. There needs to be such investment so that the product is attractive, modern and of a standard that attracts the public in what is an increasingly competitive entertainment environment.

RECOMMENDATION FIFTEEN

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.

ARC agrees that there is an urgent need for "all weather tracks". NZTR is working with the Provincial Growth Fund to realise this course of action. ARC believes it is essential that the appropriate "surface" is chosen for New Zealand's particular climatic conditions and that there is a testing of the first surface before the other two tracks are constructed.

RECOMMENDATION SIXTEEN

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 program.

ARC agrees that the welfare of the horse is paramount at all stages of its life and, most importantly, when its racing career is over. This is crucial as it allow us to have a "social licence" to continue to race into the future. NZTR has been doing a body of work on the above already and our understanding is that the relevant rules will be enacted over the later part of this year and into the early part of next year.

RECOMMENDATION SEVENTEEN

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.

ARC strongly agrees that prizemoney must increase. The current model is not working and is not sustainable, now or for the future. There needs to be simplification of the stakes matrix and which should be fit for purpose for the New Zealand racing industry. This decision process needs to be vested in NZTR.

OTHER RECOMMENDATIONS

Reinforce the importance of good corporate governance procedures by Race Club controlling boards or committees, improve the race club management skills of CEOs and senior staff, and lift the minimum acceptable standards for racecourses in terms of the presentation of racing tracks, training tracks, facilities infrastructure. Increased attention should be given to ensuring the adequate training of all race club staff and in particular track maintenance personnel.

ARC strongly supports the recommended improvements in club governance and operations. As a Club, ARC has strong governance with the appropriate level of "Directorship" from an independent standpoint. It is accepted that other clubs, for a variety of reasons including financial resources, may not have the benefit of such skills and the implementation of this recommendation would greatly assist the professionalisation of the industry.