Mr Dean McKenzie  
Chair  
Racing Industry Transition Agency  
dean@mckenziesport.com

Dear Mr McKenzie,

2019/20 Ministerial Expectations of the Racing Industry Transition Agency

The Minister for Racing is writing to outline the matters that the Board of the Racing Industry Transition Agency (RITA) is expected to address in the business planning process for the 2019/20 financial year. This Letter of Expectations is provided under Clause 3 of Schedule 1AA of the Racing Reform Act 2019 (the Act).

The Government remains committed to resolving key long-term challenges facing the country including sustainable economic development, increased exports, decent jobs paying higher wages, a healthy environment and a fair society and good government.

The racing industry is well positioned to contribute to addressing these challenges. The industry is part of the social fabric and history of New Zealand and contributes significantly to the national economy, particularly in rural areas, among youth and in the bloodstock industry.

As you are aware, the racing industry is in a state of decline and requires urgent structural reform to revitalise it. This Government has confirmed its commitment to the racing industry and has established RITA as a key player in the industry’s revitalisation. The coming year is critical in placing the racing industry back on a sustainable footing.

On 15 April 2019, Cabinet:¹

- agreed to the overall intent of the Messara Report as providing the best approach to delivering a New Zealand Racing Industry that is financially sustainable, internationally recognised and competitive;
- noted that care needs to be taken to shift the industry balance towards a commercial focus while still acknowledging its community underpinning;
- noted the following principles intended to guide the reforms:

¹ CAb-19-MIN-0168.02 refers
- overall reforms: the reforms are focussed on delivering a New Zealand racing industry that is financially sustainable, internationally recognised and competitive, and that builds the integrity of the industry;

- production cycle: New Zealand has a reputation both domestically and internationally, for delivering high performing animals that attract investment;

- industry governance: industry governance is future-focused and is known for making the tough decisions for the industry; and

- consumer: the New Zealand betting provider is internationally competitive, and both meets and exceeds the expectations and requirements of the New Zealand consumer.

This Letter of Expectations reflects these decisions and sets out the Minister for Racing’s initial expectations. It may be augmented further once the second racing Bill is passed, or at any other time that the Minister feels would be helpful.

**It is expected that RITA will:**

**Change leadership**

- lead a programme of change to return the industry to a well-managed and sustainable growth path;

- deliver on the Government’s intentions by taking decisions in the commercial interests of the industry - considering the long-term vision for a revitalised and sustainable industry, where participants are valued and able to prosper and the industry contributes to its full potential for the benefit of the NZ economy;

- make best use of the $3.5m Crown contribution to the cost of industry change – ensuring that this funding ‘buys change’ rather than underwrite business as usual activities;

**Service delivery**

- maintain continuity of business as usual racing, betting, gaming and broadcasting functions, and the maintenance of capability in the management of the racing industry;

- take any opportunity to improve customer service while improving operational efficiencies;

- provide for temporary management of residual functions, if necessary, after the formation of RITA’s successor organisation and the devolution of the intended functions to codes, Racing New Zealand, and others;

**Stewardship**

- undertake a Board re-set, to move to the active change mode necessary during the transition to the new structure;

- avoid any further deterioration in the RITA balance sheet and put steps in place for improvement;

- continue to guide and hold to account the Chief Executive, and the RITA executive leadership team, to deliver on outcomes and lead the organisation well;
Culture

- ensure that management successfully embeds a culture that is ready for change and supports resilience, diversity, and inclusiveness, and is free from bullying and harassment;
- embed a customer service ethos that invests efforts into keeping promises, being realistic in making promises, and delivering on target;

Advice on how best to operationalise the Messara Report to deliver better governance and economic outcomes

- see through the work started by the Ministerial Advisory Committee:
  o complete the Future Venue Plan to guide future investment (and disinvestment) in racing venues;
  o provide advice on the optimal allocation of the betting levy to the racing codes and Sport NZ;
  o prepare for devolution of racing functions to the racing codes;
  o continue assessment as to whether TAB betting operations should be outsourced to a third party – including exploring the extent to which joint-venture and other arrangements with betting, broadcasting and gaming operators can provide the organisation with cost-effective access to up-to-date skills, knowledge and technologies;
  o help position industry governance and management to pursue more effective decision-making in the future state;
  o establish your successor organisation as a highly capable commercial betting entity;
  o work with the Department of Internal Affairs (the Department) to develop the second Racing Reform Bill and implement the regulations enabled by the Racing Reform Act 2019;

Repositioning the racing industry

- in the light of the Cabinet decisions set out above, the Minister of Racing expects RITA to take decisions in the commercial interests of the industry and assist the Department to establish a regulatory ecosystem for the racing industry that embeds this commercial orientation at racing code and club levels;

Ensure as much money as possible goes to additional prizemoney – not racing industry overheads

- maintain the current level of overall funding to the codes as a baseline;
- minimise transitional costs for industry and government;
- look for efficiency gains in RITA operations without compromising organisational capability and ensure the transfer of functions to the codes does not result in an overall increase in cost to the industry;
- work with the Department to generate additional industry revenue through overseas betting charges and distribute this expeditiously according to the regulations;
• progress doubling the returns to owner as a key component of the cycle of revitalisation envisioned in the Messara Report;

**While meaningfully addressing community concerns that could impact on the racing industry’s social license to operate**

• betting integrity;
• animal welfare;
• gambling harm minimisation; and

**So that unnecessary government involvement in the industry can be avoided**

• ensuring that the industry is set up on a sound commercial footing that supports light-handed regulation by government.

**General expectations**

**Diversity**

Consistent with government support for increased diversity and gender balance on boards, entities are encouraged to support gender balance and inclusion in the workplace and in leadership.

**Engagement**

Your Department relationship contact will be in touch with you shortly after you receive this Letter of Expectations to discuss the Minister’s expectations in more detail. If you have any questions, please contact Raj Krishnan on 021 593 973.

**Reporting**

RITA is to provide written financial and non-financial reports to the Minister for Racing and the Department not later than 4 weeks following the end of each quarter. I may alter this frequency depending on RITA’s performance and risks. The Department will specify the requirements for these reports. In addition, there is a “no surprises” expectation, under which RITA is required to inform my office and the Department of any material matter that arises and respond promptly to information requests received from the Department or my office.

**Core accountability documents**

Please follow central agency guidance when preparing your core accountability documents, such as the Annual Report and Statement of Expectations. Please engage with the Department early in each document’s development and ensure that I receive drafts and final versions within the required timeframes.

**Conflicts of interest**

It is important that the Board continues to carefully manage any potential or perceived conflicts of interest. I expect all Board members to adhere to Board policies and State Sector guidance on conflicts of interest, and respect collective decisions and responsibility. Please advise me if there are any potential, emerging or actual conflict issues.
Effective working relationships

The Board's open and transparent way of working with both the Minister's office and the Department is appreciated. The Minister for Racing expects you to maintain a "no surprises" policy and for you to inform me well in advance of any material, event, transactions and other issues, that could be considered contentious or attract wide public interest, whether positive or negative.

Please continue to engage closely with the Department and to share with it any advice you provide to the Minister for Racing. This supports the Minister to be fully informed on issues, particularly where he is required to make decisions. As part of this close working relationship, the Minister understands that the Department will attend the RITA Board meetings as an observer.

The Minister for Racing's Office is available to assist with enquiries or arrange discussions regarding significant matters and can be reached on (04) 817 9934.

The Minister looks forward to continuing to work with you during the coming year.

Yours sincerely

[Signature]

Rt Hon Winston Peters
Minister for Racing