Dedication — Campbell Moncur

The committee would like to formally acknowledge the significant contribution made to the preparation of this report by the late Campbell Moncur. As the key advisor to the committee, he worked closely with all facets of the industry and provided wise, informed and highly intelligent feedback to us throughout the process. His extensive knowledge, passion, drive, and commitment were invaluable, and he will be sorely missed.
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Executive summary

This Final Report is presented in the same format as our Interim Report. Using the same structure, the committee has updated relevant work plans, projected timelines and commentary where necessary. This report accurately reflects where the industry currently sits in the ongoing reform process.

Further decisions are yet to be made arising from this report.

The challenge has been set to transform the New Zealand racing industry

In mid-December the Ministerial Advisory Committee was given the mandate to consider all the recommendations in the Messara Report, taking into account key stakeholder and public submissions, and turn them into a work plan that can be operationalised to deliver the best outcome for the New Zealand racing industry.

The Messara Report sets the challenge for the industry. That challenge is not easy as it will require change across many aspects of the racing industry. If we all accept this challenge, we can deliver a more vibrant and successful racing industry that will attract greater investment and more owner and customer participation, and be internationally competitive.

Collectively, the potential outcomes from each of the recommendations will deliver:

- more revenue to increase prizemoney levels
- better governance across all industry organisations
- a renewed focus on integrity and animal welfare
- a more efficient network of racing venues that cater for national, regional and community racing
- investment in our ageing facilities and investment in our thoroughbred tracks (both turf and synthetic), to provide top-class racing, training and trialling surfaces year-round.

We have a favourable climate for change, with a supportive Minister for Racing and a comprehensive plan to deliver the change and outcomes the industry requires.

The committee wishes to acknowledge the invaluable assistance it has had from the Department of Internal Affairs, and its own support team, since it was set up in mid-December 2018 to enable this Final Report to be completed.

A plan for regeneration

The Minister for Racing, Rt Hon Winston Peters, set up this Ministerial Advisory Committee to operationalise the Messara Report. The far-reaching report touched on many aspects of the industry. Its 17 key recommendations, and associated sub-recommendations, deliver a comprehensive plan to reinvigorate and reform the racing industry.
Two Bills will enable racing industry reform
The committee recommended two racing amendment Bills for consideration by the Government.

The first Bill provided the means to increase industry revenue, and the transitional oversight arrangements to establish the Racing Industry Transition Agency (RITA). Racing Reform Bill (Bill No. 1) comes into effect from 1 July 2019.

The second Bill would provide for substantive changes to the structure of the New Zealand Racing Board (NZRB) to establish TAB NZ, which would focus on the commercial activities of the NZRB, and devolve some of its racing functions to the three racing codes and Racing NZ. This Bill would also put in place any revenue provisions not contained within the first Bill.

Bill No. 2 will be introduced before 31 December 2019. Subject to the Parliamentary process, it would come into effect from 1 July 2020, at the end of the transition period.

Details of the legislative process are on page 9.

The committee’s initial focus — legislation to generate revenue for the racing industry
Included in Bill No. 1 were four of the Messara Report’s recommendations which will generate additional revenue for the racing industry.

- Introduce a Betting Information Use Charge and a Point of Consumption Charge — Recommendation 10:
  - Betting Information Use Charge — a charge for overseas betting operators that bet on New Zealand racing and sporting events, which benefits the racing codes and national sporting organisations
  - Point of Consumption Charge — a charge for overseas betting operators that accept bets from a person with a New Zealand address, irrespective of whether the bet involved New Zealand racing or sport, which benefits the racing codes and national sporting organisations.
- Repeal the betting levy and distribute the revenue to the racing codes and Sport NZ; the betting levy will be reduced by a third each year for the next 3 years — Recommendation 11.
- Conduct betting on sports where there is no agreement with a national sporting organisation — Recommendation 8.
- Set up the framework to amend the formula in Section 16 of the Racing Act for distributing NZRB surpluses to the racing codes — Recommendation 5.

Integrity and animal welfare focus
The committee agreed that there needed to be a renewed focus on integrity across all aspects of the racing industry. The industry needs to work harder than ever on enhancing its social licence. The committee engaged extensively with the three racing codes to better understand the work they are doing to put in place best-practice animal welfare policies, oversight and governance. The committee included consideration of measures for the oversight of animal welfare in the terms of reference of the special review of the RIU and allied integrity bodies, Recommendation 6 on page 43.
Further legislation will improve the governance and structure of the racing industry.

A more efficient, effective, internationally competitive structure will increase revenue and attract more customers. We strongly support including the following recommendations in Bill No. 2.

- Turn the NZRB into TAB NZ, and devolve some of its racing functions to the three racing codes — Recommendation 1. (The committee is recommending that TAB NZ is used in preference to Wagering NZ and this is reflected throughout this report.)
- Create Racing NZ, if this is found to be necessary — Recommendation 2.
- Provide for outsourcing of the NZRB’s commercial activities, so that if outsourcing goes ahead, the law is ready for it — Recommendation 7.
- Provide for a mechanism to deal with situations where no agreement has been reached for the management of a club’s assets, after an appropriate consultation process has been followed between the club and the code, based on a structured evaluation process and criteria — Recommendations 12, 13, 14.

Also recommended for Bill No. 2 are provisions for generating revenue that are not contained in the first Bill. These include allowing TAB NZ to operate new bet types, such as a betting exchange and spread betting; and new betting products such as in-race betting on the outcome of races, virtual racing, novelty and fantasy betting, and betting on e-sports. An appropriate approval process is required. A relaxation of the current class 4 gaming operation restrictions in Section 33 (3) of the Gambling Act is also needed.

The committee’s other work on progressing the Messara Report’s recommendations

The committee set up three groups and three independent reviews to progress work on the recommendations.

**An Industry Governance Project Group has advised on industry structure**

The Industry Governance Project Group was established with representatives from the committee, the New Zealand Racing Board (NZRB) and the three racing codes, to investigate and report to us on:

- the NZRB becoming TAB NZ, focusing on the commercial activities (betting, broadcasting and gaming), with some of its racing responsibilities devolving to the codes — Recommendation 1
- establishing Racing NZ, a consultative forum for the codes — Recommendation 2
- changing the number and qualifications of the directors of the NZRB and the codes — Recommendation 3.

The Industry Governance Project Group reported to the committee, which has made recommendations to RITA for further consideration.
A sub-committee has begun investigating outsourcing NZRB’s commercial activities
We have set up the Racing Industry Outsourcing Evaluation Committee (RIOEC), which is considering whether to outsource the NZRB’s commercial activities to an overseas operator. In Recommendation 7, the Messara Report gave the objective as creating an internationally competitive betting operation, potentially generating more income for the racing codes, and New Zealand’s sporting codes as well.

However, outsourcing is not a foregone conclusion. Our terms of reference for the RIOEC included considering the option of retaining these services in New Zealand, as well as considering any joint venture opportunities.

As a related matter, the RIOEC is also considering clubs assigning their intellectual property — race field information and broadcast rights — to their codes, and the code granting exclusivity to the domestic betting operator for domestic use and, where agreements are in place, to offshore betting operators, under Recommendation 9.

The RIOEC has provided documentation and information to the committee, which will be used to inform RITA of the RIOEC’s progress.

An Industry Future Venue Plan Group will help determine the number and location of venues
The Messara Report’s conclusion that venues will need to close was a tough message, but overdue. The report gave detailed plans for venue closures.

However, we do not have a firm view of how many venues there should be, or where. We have set up the Industry Future Venue Plan Group (IFVPG). Reporting to RITA, its industry representatives will continue to develop a plan that encompasses national, regional and community venues. This plan will focus on change that will add true value and ensure the process is robust and transparent.

The IFVPG will also consider the process and criteria for evaluation and assessment of a venue where a code may be considering that venue’s future, together with a process for dispute resolution.

This group will prepare a final report to RITA by the end of December 2019.

Independent reviews by suitably qualified experts

- We have received a final draft report of the Special Review of the RIU and Allied Integrity Bodies, and will pass it to RITA to consider — Recommendation 6.

- The performance and efficiency audit of the NZRB under Section 14 of the Racing Act 2003 is under way, with particular emphasis on the operating costs of the NZRB. The review will be reported to RITA and delivered to the Minister by the end of July 2019 — Recommendation 4.

- We have received the review of the formula for distributing NZRB surpluses to the codes to establish the optimum distribution model. We will pass it to RITA to consider, and to develop any appropriate regulations — Recommendation 5.

We have worked effectively with what we already have
The committee has focused on using existing industry resources and channels to drive our reform programme. These are the most effective vehicles to drive quick, cost-effective, inclusive and transparent reforms.
The committee has avoided setting up new structures as much as possible. The industry cannot afford to build empires or unnecessary administration. We need to do things better than before, and to take a second look at everything we have accepted in the past.

The three racing codes need equal attention
We acknowledge that the Messara Report’s recommendations impact the three racing codes differently.

The Messara Report focused on the thoroughbred code, as required by its terms of reference. However, the committee has extended its work to consider harness, greyhounds and sports as well.

The committee has made sure that each has been given the opportunity for representation throughout our work.

Racing’s stakeholders must benefit from a new industry model
The industry has been living beyond its means, and for too long. The committee aimed to increase its means, reduce its consumption, and improve the outcomes from its investment strategies, all of which need an on-going focus.

The committee also wanted to reverse the historical model where the stakeholders of the business get what’s left after the administrators have taken what they believe they need to run the industry. The stakeholders can no longer be left to the end of the food chain. Their interests must sit at the heart of an efficient, responsive, future-proofed commercial model.

Long-term change must be grounded in New Zealand racing culture
The recommendations of the committee will add value to the long-term future of the New Zealand racing industry. While we started with the revenue-earning recommendations, we were not focused only on quick fixes. There must be a pathway built to achieve long-term results.

Nor did the committee advocate change for change’s sake. The committee aimed to protect the long-standing traditional values of New Zealand racing. We must create growth and sustainability by balancing commercial needs and the intangible values of our racing culture.

A transitional body needs industry expertise
A critical part of the reform process is managing the industry’s transition through the period of reform. The Messara Report does not cover this, but change capability and focus are needed to implement the report’s recommendations.

As included in the Racing Reform Bill (Bill No. 1), this role is going to be carried out by the Racing Industry Transition Agency (RITA). The Minister has appointed people with expert racing, betting, sports and commercial knowledge. They understand and feel empathy for the unique dynamics and traditional values of the New Zealand racing industry.

The committee offered clarity and certainty to the racing industry
To give the industry the confidence to change, the committee needed to provide clarity and certainty.
The key stakeholders and the public made submissions on the report’s 17 key recommendations. This feedback was considered by the committee and helped form the committee’s view on each of the recommendations.

The committee has engaged with the racing industry and Sport NZ openly and transparently. As change progresses, dealings with the racing industry, communities, Sport NZ and national sporting organisations must continue to be transparent, inclusive and robust.

At the same time, the committee needed to ensure that, where necessary, measures are flexible and can change with minimal intervention, given the fast-changing nature of the international betting and gaming environment.

The work of the committee will be passed to RITA from 1 July 2019, to continue the process of delivering a racing industry that benefits all New Zealanders. By growing the sport of racing in terms of breeding stock, racing activity and turnover, racing will increase its contribution to the New Zealand economy. Sports betting, gaming, and offering bets on a range of new betting and gaming products will also be instrumental in delivering a vibrant and successful racing industry, and financial benefits to Sport NZ and the national sporting organisations in New Zealand.

This report describes our work on each recommendation in detail
On page 7, we provide the background context to this Final Report, and what has gone before.

On page 9, we explain the legislative process for enacting the reforms of the Messara Report.

On page 10, we give a summary of the committee’s responses and the legislation required (if any) for Messara’s 17 key recommendations.

On page 19, we lay out the proposed on-going work plan for RITA’s consideration.

From page 29, we analyse each of the 17 key recommendations and give our advice on how to progress them.

On page 104, we outline the attributes of RITA that will actively manage the change process for the industry.
The context for this Final Report

This Final Report is the second of two reports from the committee to the Minister for Racing, Rt Hon Winston Peters, on the Messara Report, the ‘Review of the New Zealand Racing Industry’.

The Final Report is presented in the same format as our Interim Report. Using the same structure, the committee has updated relevant work plans, projected timelines and commentary where necessary. This report accurately reflects where the industry currently sits in the ongoing reform process.

Further decisions are yet to be made arising from this report.

The purpose of this committee — operationalise the Messara Report

Minister Peters set up this committee to develop a plan to operationalise the Messara Report, and we have been working to an agreed terms of reference. The committee has evaluated John Messara’s 17 key recommendations and associated sub-recommendations for revitalising the New Zealand racing industry. This report contains the committee’s advice to the Minister.

The committee was set up to set a sense of direction for the intended racing industry reforms. We were told to prioritise the recommendations in the Messara Report that the committee identified as the main drivers for successful racing industry reform. This has provided the basis for our proposed on-going work plan for RITA’s consideration, on page 19.

The Messara Report — review of the racing industry and its governance

Minister Peters asked highly successful Australian racing administrator John Messara to investigate New Zealand’s racing industry, and his final report was published on 31 July 2018. Messara had previously reformed the racing industry in New South Wales.

Minister Peters asked Messara to review how the current racing industry model could support the long-term sustainability of the industry in New Zealand. He asked for high-level recommendations, supported by research, for potential reform — including legislative, operational, structural and organisational changes to the industry.

A world-class industry in decline, and recommendations to turn it around

The Messara Report stated that New Zealand has a rich tradition of success as a country of outstanding horsemen and horsewomen, and first-class horses, with racing industry activity contributing $1.6 billion to New Zealand’s GDP annually.

However, the report also said that the industry was in decline, with static prizemoney, inadequate returns to owners, a shrinking breeding industry, falling race fields, declining betting turnover, and poor-quality racing and training facilities.

The Messara Report made 17 key recommendations and associated sub-recommendations to halt the decline and return the industry to sustainability.
The Messara Report acknowledged the challenge that the report and its recommendations will present to the Government and the industry. In his report, John Messara said he was ‘...confident that with strong leadership, and the support and commitment of all sectors, organisations and participants, the industry can be turned around and achieve sustainability with consequential favourable impacts on the New Zealand economy.’

Public submissions on the Messara Report
The Messara Report was released by the Minister for Racing on 30 August 2018, and published on the Department of Internal Affairs website.

The public were invited to submit their views on the report’s 17 key recommendations. The consultation period was from 13 September to 19 October 2018. The department reviewed each submission individually, and relevant comments were attributed to the key recommendations.

The department received a total of 1,701 submissions as a result of the consultation process.

Next steps in our work towards racing industry reform
Once approved, this final report will provide guidance and advice to the Racing Industry Transition Agency (RITA), which will continue to manage and implement the reform process in addition to overseeing ‘business as usual’.

The committee’s membership — experience in racing, sports, business, governance and law
Minister Peters selected the committee members, choosing people with the expertise to give independent, strategic assessments of business change proposals for the New Zealand racing industry. The committee members do not act as advocates or representatives of any particular interest or sector group. Members are:

- Dean McKenzie — Chair
- Bill Birnie CNZM
- Liz Dawson MNZM
- Kristy McDonald ONZM QC
- Sir Peter Vela KNZM.
The process for enacting the new racing legislation

Subject to Government agreement, the committee considered that the recommendations requiring legislative change should be advanced through two separate pieces of legislation.

The Racing Reform Bill (Bill No. 1) comes into effect from 1 July 2019. It has put the necessary transitional oversight arrangements in place, created the means to increase industry revenue, and makes provision for regulations. These regulations can prescribe the methods for determining the amounts that may be distributed by RITA to the racing codes, national sporting organisations and Sport NZ, and sets funding aside for industry-related gambling harm initiatives.

Where regulations are required to enable the collection of charges or disbursement of funding, these can take between 6–12 months to come into effect. This depends on the level of complexity and the systems and procedures that need to be developed, which could involve RITA, TAB NZ and/or the codes. Developing these regulations has been prioritised. Where we can, we have taken measures to expedite the resulting flow of revenue for the industry.

It is intended that a second Bill, Bill No. 2, would then:

- turn the NZRB into TAB NZ, and devolve some of its racing functions to the three racing codes. (The committee is recommending that TAB NZ is used in preference to Wagering NZ and this is reflected throughout this report)
- create Racing NZ, if this is found to be necessary
- provide for outsourcing of the NZRB’s commercial activities so that if outsourcing goes ahead, the law is ready for it
- include revenue provisions for generating revenue that are not contained in the first Bill: these include allowing TAB NZ to operate new bet types, such as a betting exchange and spread betting; and new betting products such as in-race betting on the outcome of races, virtual racing, novelty and fantasy betting, and betting on e-sports — an appropriate approval process is required, and a relaxation of the class 4 gaming operation restrictions to Section 33(3) of the Gambling Act
- provide for a mechanism to deal with situations where no agreement has been reached for the management of a club’s assets, after an appropriate consultation process has been followed between the club and the code, based on a structured evaluation process and criteria.

Bill No. 2 will be introduced before 31 December 2019. Subject to the Parliamentary process, it would come into effect from 1 July 2020, at the end of the transition period.
Summary of the committee’s responses and legislation required for Messara’s 17 recommendations

Recommendation 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.

The committee strongly supports this recommendation. A restructured NZRB — to become TAB NZ — focused on its commercial activities (betting, broadcasting and gaming), without the conflicting priorities of some of its racing functions, will be more competitive and generate better returns for the industry.

Legislation required

- Changing the governance structure, so the NZRB becomes TAB NZ, focusing on its commercial activities, with some of the racing functions devolving to the individual codes (Bill No. 2)

Recommendation 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.

Cross reference Racing NZ Recommendation (page 31 of the Messara Report)

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).

Cross reference Executive Summary Recommendation 6 (page 9 of the Messara Report)

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

The committee supports this recommendation in principle. Consideration has included what racing functions should devolve from the NZRB as it is restructured to create TAB NZ and focus solely on its commercial activities, and what the best framework is to enable the advancement of matters of mutual concern. The committee has recommended to RITA that TAB NZ has ownership and manages the co-ordination of the racing calendar in order to maximise domestic and import racing revenue. The final form of Racing NZ will be determined by RITA in consultation with the three racing codes.
Legislation required
- If required, legislation for the establishment of Racing NZ to create a legally constituted consultative forum for the three racing codes (Bill No. 2)

Recommendation 3
Change the composition and qualifications for directors of regulatory bodies.

Cross reference Racing Codes Recommendation 2 (page 30 of the Messara Report)
Restructure the composition and amend qualifications for Directors of the Board of Wagering NZ.

The committee supports this recommendation as a key element to improve industry governance.

Legislation required
- If required, legislative changes in Bill No. 2, depending on the findings of the IFVPG

Recommendation 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.

The committee strongly supports this recommendation. The information the audit will produce will assist in the evaluation of whether all or some of the commercial activities of TAB NZ are outsourced or not (Recommendation 7, page 66). It will also provide RITA with baseline information in considering the establishment and operations of TAB NZ and devolution of some of its racing functions to the three racing codes (Recommendation 1, page 32).

Legislation required
- None required

Recommendation 5
Amend the section 16 distribution formula of the Racing Act 2003 to a more equitable basis for fixed 10-year terms.

Cross reference Finances & Distribution to Codes Recommendation 2 (page 32 of the Messara Report)
Amend Section 16 of Act to provide that NZRB (Wagering NZ) profits are distributed to Codes on following basis:
- 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)

Recommendation 5 continues over the page
Recommendation 5, continued

- Additional amounts are to be calculated as follows:
  - 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.

**Cross reference Finances & Distribution to Codes Recommendation 3 (page 32)**
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.

**Cross reference Finances & Distribution to Codes Recommendation 4 (page 32)**
Provide for an independent review of the scheme after 10 years.

The committee supports this recommendation in principle.

**Legislation required**
- Included in Bill No. 1
- No further legislation required but regulations to be developed and finalised

Recommendation 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.

**Cross reference Integrity & Animal Welfare Recommendation 1 (Executive summary of the Messara Report)**
Appoint a well-qualified independent person to review the overall Integrity model for its efficacy, independence and accountability.

**and Finances & Distributions to Codes Recommendation 5 (page 32 of the Messara Report)**
Continue to fund the racing integrity services from NZRB (Wagering NZ) gaming profits.

The committee strongly supports this recommendation.

**Legislation required**
- RITA may recommend legislative changes after considering the report of the special review of the RIU and allied integrity bodies
Recommendation 7

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

*Cross-referenced in Part 2 – Recommendation 1 (page 42 of the Messara Report)*

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 selected outsourced operator.

The committee considers that the potential to outsource, or not, all or some of the commercial activities of TAB NZ needs more analysis. We have set up a sub-committee, the Racing Industry Outsourcing Evaluation Committee (RIOEC), to do this.

*Legislation required*

- Make legislative provision for outsourcing the NZRB’s commercial activities, or providing for variations on this proposal (Bill No. 2)
- Allow for TAB NZ to have the exclusive right to use all intellectual property generated domestically by the racing industry to maximise revenue for the racing industry (Bill No. 2)

The committee also seeks direction from the Minister on the Government’s position on the provision of statutory measures for protection.

Recommendation 8

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

*Also, cross-referenced in sub-recommendation 2 (page 42 of the Messara Report)*

Seek the approval for the NZRB (Wagering NZ) to:

- conduct virtual racing games
- remove legal restrictions in Section 33(3) of the Gambling Act that prevent the NZRB (Wagering NZ) from acquiring class 4 gaming licence venues
- conduct in-the-race betting
- conduct betting on sports where there is no agreement with a national sports organisation.

The committee strongly supports this recommendation.

*Legislation required*

- Allow for a mechanism to allow TAB NZ to operate new bet types, such as a betting exchange and spread betting, and new betting products such as in-race betting on the outcome of races, virtual racing, novelty and fantasy betting, and betting on e-sports, with an appropriate process for approval (Bill No. 2)
- Amend Section 33(3) of the Gambling Act to ensure the NZRB can operate on a level playing field in the class 4 gaming marketplace (Bill No. 2)
- Amend Section 55 of the Racing Act 2003 to enable TAB NZ to offer betting on all overseas sporting events (Bill No. 2)
Recommendation 9

Confirm the assignment of Intellectual Property (IP) by the Clubs to the Codes

Also, cross-referenced in Part 2 — Recommendation 3 (page 42 of the Messara Report)
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

The committee supports this recommendation. It will enable the three racing codes to maximise the revenue from assignment of the Intellectual Property (IP) over their race field information and broadcast rights to TAB NZ.

Legislation required
- If agreement can’t be reached between the domestic betting operator and the three racing codes for the assignment of IP, the Minister may be required to approve the drafting of legislation (Bill No. 2) to allow for the domestic betting operator to have the exclusive right to use all intellectual property generated domestically, to maximise revenue for the racing industry

Recommendation 10

Introduce Race Fields 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.

The committee strongly supports this recommendation and the proposed process to collect the Betting Information Use Charge (BIUC) and the Point of Consumption Charge (POCC).

Legislation required
- Included in Bill No. 1
- No further legislation required but regulations to be developed and finalised

Recommendation 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.

The committee strongly supports this recommendation.

Legislation required
- Included in Bill No. 1
- No further legislation required but regulations setting aside funds for industry-related harm minimisation initiatives and prescribing a method for distribution to the racing codes and Sport NZ to be developed and finalised
Recommendation 12

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

Also, cross-referenced in Part 3:
Recommendation 3 (page 73 of the Messara Report)
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.

Also, cross-referenced in Part 3:
Recommendation 5 (page 74 of the Messara Report)
To allow for recommendation 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 to hold any race meetings at a venue, to then take possession of the Race Club 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 of the closed venues is sold.

The committee understands and supports the principle behind this recommendation to redistribute industry assets to fund infrastructure investment at the remaining venues. But we do not believe vesting of club assets to the code is necessarily the right vehicle to achieve the outcome this recommendation is trying to achieve.

A key goal of the committee is to provide the racing industry a clear pathway to resolve potential disputes over the future use of a venue and any sale proceeds (if the venue were to be sold), where the venue is no longer required for racing.

Legislation required
Where necessary, Bill No. 2 to provide:

- a mechanism to deal with situations where no agreement has been reached for the management of a club’s assets, after an appropriate consultation process has been followed between the club and the code, based on a structured evaluation process and criteria

- a suitable legislative arrangement that could be triggered either where the venue is no longer required for racing or the club is being mismanaged and not acting in the best interest of the wider racing industry

- the appointment of an independent/statutory authority (Board of Control) to manage the club’s assets and its operation; the board would protect the value of the club’s assets while decisions were made on the venue and/or the operation of the club, for the benefit of the club (where they choose to race at another venue), the community and the wider racing industry.
Recommendation 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.

Also, cross-referenced in Part 3 - Recommendation 1 (page 73 of the Messara Report)

- Reduce the number of existing thoroughbred racing venues in NZ 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 NZ 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.

The committee supports a joint-industry approach to this recommendation. The committee agrees that the Industry Future Venue Plan Group (IFVPG) will progress the development of a multi-year Industry Future Venue Plan, and report back to RITA from 1 July 2019.

Legislation required
- Bill No. 2 — see Recommendation 12

Recommendation 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.

Also, cross-referenced in Part 3:

Recommendation 2 (page 73 of the Messara Report)
Significantly improve the racing and facilities infrastructure at all remaining tracks over the next six years and build three synthetic racing and training tracks (including Cambridge) over the next 3 years, at an estimated total cost of about $190m.

Recommendation 3 (page 73 of the Messara Report)
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.

Recommendation 4 (page 73 of the Messara Report)
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 $110m and close and sell the Te Rapa, Cambridge and Te Awamutu racecourses to fund the development. There would then be 27 thoroughbred venues in NZ.

The committee has included the work required for this recommendation in the terms of reference for the Industry Future Venue Plan Group (IFVPG).

Legislation required
- Bill No. 2, see Recommendation 12
Recommendation 15

Construct three synthetic all-weather tracks at Cambridge, Awapuni and Riccarton with assistance from the NZ Government’s Provincial Growth Fund. Support the development of the Waikato Greenfields Project.

Also, cross-referenced in Part 3:

Recommendation 2 (page 73 of the Messara Report)
Significantly improve the racing and facilities infrastructure at all remaining tracks over the next six years and build three synthetic racing and training tracks (including Cambridge) over the next 3 years, at an estimated total cost of about $190m.

Recommendation 3 (page 73 of the Messara Report)
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 should also be required to sell any surplus freehold land holdings to help co-fund infrastructure investment.

The committee supports this recommendation, and the associated sub-recommendations Part 3, Recommendation 2 and Part 3, Recommendation 3, subject to proper project planning processes being followed and inclusive of all affected parties. Recommendation 15 was included in the terms of reference for the Industry Future Venue Plan Group.

Legislation required

- None required

Recommendation 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.

The committee strongly supports this recommendation, and recommends amending it to include all three racing codes. Animal welfare issues are of high public interest. They are an on-going focus and concern for the racing industry. Measures for the oversight of animal welfare were considered in the review of racing integrity bodies covered by Recommendation 6 (page 43).

Legislation required

- RITA may recommend legislative changes after considering the report of the special review of the RIU and allied integrity bodies
Recommendation 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.

Also, cross-referenced in Recommendation 6 (page 74 of the Messara Report)

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.

The committee supports the recommendation and agrees the three racing codes will need to manage any increases in prizemoney in consultation with their clubs.

Legislation required
• None required
The proposed on-going work plan for RITA’s consideration

Recommendation 1:
Change the governance structure, so the NZRB becomes Wagering NZ with racing responsibilities devolving to the individual Codes

<table>
<thead>
<tr>
<th>Actions plan</th>
<th>By</th>
<th>Include in Bill number</th>
<th>Revenue impact</th>
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</thead>
<tbody>
<tr>
<td>Continue implementation of the Industry Governance Project Group (IGPG) key outcomes:</td>
<td>31 December 2019</td>
<td></td>
<td>Transitional governance in place to ensure additional revenue managed effectively and efficiency optimised.</td>
</tr>
<tr>
<td>• have a clear pathway for the industry’s transition to its new structure via an industry change management plan</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>• ensure the new industry structure is cost-effective, accountable, effective and efficient</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Establishment of TAB NZ, focusing on its commercial activities.</td>
<td>Ready to commence by 1 July 2020</td>
<td>Bill No. 2</td>
<td>Commercially oriented entity focused on optimising returns to industry.</td>
</tr>
</tbody>
</table>

Recommendation 2:
Establish Racing NZ as a consultative forum for the three codes to agree on sector-wide issues

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<tr>
<th>Actions plan</th>
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</table>
Continue to work with the three racing codes on whether Racing NZ is required or not, and, if required, what form it should take.

In line with Bill No. 2 timeline

Bill No. 2 if required

Potential savings through collaborative code activities, that is, shared service arrangements.

**Recommendation 3:**

**Change the composition and qualifications for directors of regulatory bodies**

**Actions plan**

Review codes’ and other regulatory bodies’ progress towards adopting best-practice models.

IFVPG will investigate what legislative requirements are needed for the racing codes to establish processes for:

- the annual approval of clubs and venues, which would incorporate club requirements for governance and compliance
- licensing race meetings to ensure the venue is race-ready.

**By**

31 December 2019

In line with Bill No. 2 timeline

Bill No. 2 if required

Better decisions will mean better outcomes.

**Recommendation 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**

**Actions plan**

**By**

**Include in Bill number**

**Revenue impact**
The Minister and RITA to receive the written audit report covering all aspects of the audit scope and key outcomes, with key findings and recommendations.

Draw upon the information in the audit report to assist in evaluating whether all or some of the commercial activities of TAB NZ are outsourced or not; evaluating the performance of the general operations of TAB NZ; and considering what racing functions to devolve to the codes.

**Recommendation 5:**
Amend the Section 16 distribution formula of the Racing Act 2003 to a more equitable basis for fixed 10-year terms

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<th>Actions plan</th>
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<tbody>
<tr>
<td>Receive the report from Grant Thornton examining the options put forward to find a distribution model that, in RITA’s view, best acknowledges the contribution that each code makes to TAB NZ’s net profit available for distribution.</td>
<td>31 July 2019</td>
<td></td>
<td>Industry stakeholders are able to make investment decisions based on certainty of long-term funding model.</td>
</tr>
<tr>
<td>Draft regulations for distribution model in consultation with Department of Internal Affairs.</td>
<td>Over transition period — 2020 calendar year</td>
<td></td>
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**Recommendation 6:**
Initiate a special review of the structure and efficacy of the Racing Integrity Unit (RIU) and allied integrity bodies, to be conducted by an independent qualified person

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<tr>
<th>Actions plan</th>
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<th>Revenue impact</th>
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<tbody>
<tr>
<td>Task</td>
<td>Timeframe</td>
<td>Result</td>
<td></td>
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<tr>
<td>----------------------------------------------------------------------</td>
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<td>------------------------------------------------------------------------</td>
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</tr>
<tr>
<td>Receive the draft final report on the special review of the structure and efficacy of the RIU and allied integrity bodies, and develop a framework for processing its recommendations.</td>
<td>First meeting of RITA</td>
<td>Bill No. 2 if required</td>
<td></td>
</tr>
<tr>
<td>Draft legislation if necessary.</td>
<td>In line with Bill No. 2 timeline</td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td>Contributes to industry sustainability through enhancing ‘social licence to operate’.</td>
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</table>
**Recommendation 7:**
Begin negotiations for the outsourcing of the TAB’s commercial activities to an international wagering operator, to gain the significant advantages of scale

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<tr>
<th>Actions plan</th>
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</thead>
<tbody>
<tr>
<td>Continue monthly Racing Industry Outsourcing Evaluation Committee (RIOEC) meetings.</td>
<td></td>
<td></td>
<td>Focusing on the commercial activities of TAB NZ will drive revenue growth.</td>
</tr>
<tr>
<td>Receive feedback from the Government on its position regarding measures for statutory protection.</td>
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<tr>
<td>Receive S14 audit information and resulting analysis.</td>
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<tr>
<td>Review information on scope and timing of work to be done by RIOEC or external due diligence consultant.</td>
<td></td>
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<tr>
<td>Draft legislative framework for:</td>
<td></td>
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<tr>
<td>• legislative provision for outsourcing the NZRB’s commercial activities, or providing for variations on this proposal</td>
<td>In line with Bill No. 2 timeline</td>
<td>Bill No. 2</td>
<td></td>
</tr>
<tr>
<td>• TAB NZ to have the exclusive right to use all intellectual property generated domestically by the racing industry to maximise revenue for the racing industry, if required.</td>
<td></td>
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### Recommendation 8:
Seek approval for a suite of new wagering products to increase funding for the industry

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<tbody>
<tr>
<td>Draft legislative framework to include bet types and new betting and gaming products to:</td>
<td>In line with Bill No. 2 timeline</td>
<td>Bill No. 2 (establish approval process for new betting and gaming products)</td>
<td>Will help grow the industry’s revenue and customer base, and for TAB NZ to be truly internationally competitive by being able to offer the same range of betting and gaming products as offshore operators.</td>
</tr>
<tr>
<td>• allow TAB NZ to operate new bet types, such as a betting exchange and spread betting, and new betting products such as in-race betting on the outcome of races, virtual racing, novelty and fantasy betting, and betting on e-sports, with an appropriate approval process</td>
<td></td>
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<tr>
<td>• remove legal restrictions in S33(3) of the Gambling Act</td>
<td></td>
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<tr>
<td>• allow betting on all overseas sports events.</td>
<td></td>
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<tr>
<td>Review the existing strategy that sets out its overall approach to harm minimisation, to ensure best use is made of the funding set aside from the (former) betting levy.</td>
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### Recommendation 9:
Confirm the assignment of intellectual property by the clubs to the codes

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</table>
Continue monthly Racing Industry Outsourcing Evaluation Committee (RIOEC) meetings.

Review information on what IP exclusivity means to each code.

Review resolution of intellectual property (IP) by the Industry Future Venue Group through a process of club registration.

Draft legislative framework to allow for:
- TAB NZ to have the exclusive right to use all IP generated domestically by the racing industry to maximise revenue for the racing industry, if required.

In line with Bill No. 2 timeline

Bill No. 2 if required

Clarity on IP allows TAB NZ to maximise commercial activities.

Recommendation 10:
Introduce Betting Information Use Charge and Point of Consumption tax legislation

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<tbody>
<tr>
<td>Continue operational planning and development of regulations.</td>
<td>As soon as practicable following the enactment of Bill No. 1.</td>
<td></td>
<td>BIUC and POCC revenue is generated as soon as possible.</td>
</tr>
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</table>

Recommendation 11:
Repeal the existing betting levy of approximately $13 million per annum paid by the NZRB and redistribute to codes

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<tr>
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</thead>
<tbody>
<tr>
<td>Receive the report from Grant Thornton and consider the options put forward for a distribution model that could be applied to the amount retained under the betting levy reduction.</td>
<td>31 October 2019</td>
<td></td>
<td>Levy starts accumulating from 1 July 2019.</td>
</tr>
</tbody>
</table>

Recommendation 12:
Clarify legislation to vest race club property and assets to the code regulatory bodies for the benefit of the industry as a whole
The Industry Future Venue Plan Group (IFVPG) will continue to develop an Industry Future Venue Plan and associated criteria. The IFVPG will continue to develop clear and transparent criteria to objectively measure why a venue is no longer required for racing, and create a mechanism to bring certainty to a dispute process that may subsequently arise.

Recommendation 13:
Reduce the number of thoroughbred race tracks from 48 to 28 under a scheduled program

Recommendation 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.
The Industry Future Venue Plan Group (IFVPG) will continue to develop an Industry Future Venue Plan and associated criteria. Report due 31 December 2019

Bill No. 2 if required — see Recommendation 12

Redistribution of industry capital to drive revenue growth and reduction in venue operating costs.

Recommendation 15:
Construct three synthetic all-weather tracks at Cambridge, Awapuni and Riccarton with assistance from the New Zealand Government’s Provincial Growth Fund. Support the development of the Waikato Greenfields Project.

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<tr>
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<tbody>
<tr>
<td>The Industry Future Venue Plan Group (IFVPG) will continue to develop an Industry Future Venue Plan and associated criteria.</td>
<td>31 December 2019</td>
<td></td>
<td>The availability of a synthetic training and trialling track will improve the supply chain of thoroughbred horses, leading to increased field sizes at race meetings in spring and reduced abandonments in winter. Optimising use of industry infrastructure will maximise revenue growth.</td>
</tr>
<tr>
<td>The number and location of other synthetic tracks will be incorporated into the IFVPG’s report.</td>
<td></td>
<td></td>
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<tr>
<td>If requested, assist with the development of a Waikato Greenfields Thoroughbred Project.</td>
<td>On-going</td>
<td></td>
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</table>

Recommendation 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.
### Actions plan

<table>
<thead>
<tr>
<th>Recommendations</th>
<th>By</th>
<th>Include in Bill number</th>
<th>Revenue impact</th>
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</thead>
<tbody>
<tr>
<td>Consider recommendations in the special review of RIU and allied integrity bodies.</td>
<td>First meeting of RITA</td>
<td></td>
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<tr>
<td>Continue to monitor codes’ animal welfare policy development.</td>
<td>In line with Bill No. 2 timeline</td>
<td>Bill No. 2 if required</td>
<td></td>
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<tr>
<td>Draft legislation if necessary.</td>
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### Recommendation 17: Increase thoroughbred prizemoney to over $100 million per annum through a simplified payment model

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<tbody>
<tr>
<td>Complete work to verify the projected 2019 end-of-year results for the NZRB (RITA from 1 July 2019) and to provide clarity to the codes about funding for the 2019–2020 racing season. Ask the three racing codes for information about their future prizemoney policies in due course, to make sure they align with Recommendation 17.</td>
<td>First meeting of RITA</td>
<td></td>
<td>A prizemoney structure that increases participation and field sizes and generates revenue growth.</td>
</tr>
</tbody>
</table>
The committee’s analysis of the Messara Report’s recommendations

This section details how each of the 17 key recommendations and associated sub-recommendations can be operationalised.

The committee agrees with the Messara Report that work must progress on all the recommendations if the strategy for reform and a strong and vibrant racing industry is to succeed. The future of the racing industry cannot be secured by taking a piecemeal approach.

Quick wins and longer-term measures

With Government support, some of the recommendations have been operationalised quickly, and will begin to generate revenue for the racing industry. These include reducing and then repealing the betting levy; introducing new bet types and betting products; introducing a Betting Information Use Charge (BIUC) for offshore betting operators to use information about New Zealand race fields and sports events; and a Point of Consumption Charge (POCC) when offshore betting operators take a bet from a person with a New Zealand address.

Other recommendations require more investigation into the best way forward. The committee set up industry working groups to progress initiatives including: separating the NZRB’s commercial activities and what racing functions should be devolved to the three racing codes and Racing NZ (if required); evaluating the option to outsource the NZRB’s commercial activities, with consideration of where the broadcasting and gaming operations should sit, compared with maintaining the status quo; and developing an Industry Future Venue Plan to optimise the number of racing venues.

Where recommendations need further consideration and development, this does not indicate they have had a lower priority. The work they need is more complex and will take longer to complete, and is included in the proposed work plan for RITA. The benefits these recommendations will deliver are still important and valuable to the racing industry.

How we present the recommendations

We have grouped the recommendations as follows:

- The governance and structure of racing
  Recommendations 1, 2, 3, 6 and 16

- Finance and distribution to the codes
  Recommendations 5, 10, 11 and 17

- Betting and the TAB
  Recommendations 4, 7, 8 and 9

- Consolidating venues
  Recommendations 12, 13, 14 and 15
For each recommendation, we:

- summarise key stakeholder submissions
- give the committee’s considered position and analysis, following consultation with the racing industry, sport, and advice received from the Department of Internal Affairs
- outline the committee’s work to progress the recommendation so far
- ask the Minister for Racing to take action where necessary
- lay out the work plan to implement the recommendation, including any amendments to legislation, with a projected timeframe.
The governance and structure of racing

Recommendaion 1
NZRB becomes TAB NZ, focusing on commercial activities — racing responsibilities devolve to the three racing codes

Recommendaion 2
Establish Racing NZ as a consultative forum for the three racing codes

Recommendaion 3
Change the composition and qualifications for directors of code regulatory bodies

Recommendaion 6
Review the structure and efficacy of the racing integrity bodies

Recommendaion 16
Establish traceability and re-homing of the entire thoroughbred herd, as foundation of the industry’s animal welfare program
Recommendation 1 of Messara Report
NZRB becomes TAB NZ, focusing on commercial activities — racing responsibilities devolve to the three racing codes

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.

The committee strongly supports this recommendation. A restructured NZRB — to become TAB NZ — focused on its commercial activities (betting, broadcasting and gaming), without the conflicting priorities of some of its racing functions, will be more competitive and generate better returns for the industry.

Submissions received on Recommendation 1
The following represent an overview, summary or extract from the relevant key stakeholder submissions on the Messara Report. They are not intended to be a full record of any individual submission or collection of submissions received. Read submissions at www.dia.govt.nz.

New Zealand Racing Board
The Board supports this recommendation.

A sharpened mandate to focus solely on commercial performance of the TAB and Trackside will lift productivity.

New Zealand Thoroughbred Racing
Changes to NZRB role

NZTR strongly supports the proposed refocussing of the NZRB/WNZ on its wagering operations and the removal of its racing functions. The NZRB’s current non-wagering activities add little value to the industry and can be better discharged by the Codes.

In NZTR’s view the proposed model can be further improved by clarifying:

WNZ’s Statement of Intent must be approved by the racing Codes each year; and

WNZ must act in what the racing Codes determine to be the best interests of the racing Codes, and must treat the sporting Codes fairly;

Any new legislation should also clarify that the relationship between WNZ and the Codes should be governed by agreements between WNZ and the Codes and/or Racing New Zealand, and those agreements should place significant limits on WNZ’s freedom of action. It should not, for example, be possible for WNZ to make major contractual decisions or capital investments without the support of the Codes.

In NZTR’s view, each Code should take responsibility for setting its racing calendar in consultation with other Codes and WNZ. Having reached agreement, WNZ should be responsible for issuing betting licences to meetings at which it has been agreed betting will take place.
Changes to Code role

NZTR strongly supports regaining a high level of autonomy in relation to thoroughbred racing, including in particular ownership and control of all thoroughbred racing wagering, media and other intellectual property rights. The last fifteen years have demonstrated that bundling Code rights together diminishes their value.

The new legislation should be clear about how these rights are transmitted from thoroughbred racing clubs to NZTR. NZTR’s ideal model would be, in preference to the current ‘funding policy’ model, a series of funding agreements with individual racing clubs in which those clubs transferred their rights to NZTR and made other commitments in return for NZTR funding. Accountability for performance would be preserved through the role the clubs play in Code governance.

Harness Racing New Zealand
Supportive in principle. Details to be worked through.

Greyhound Racing New Zealand
SUPPORTS in Principle

GRNZ would seek a one-off ‘upscale’ payment – this reflects the fact that GRNZ is the Code most integrated with the NZR and will have to undertake a substantial upscaling to meet all the potential devolving obligations.

GRNZ would seek to clearly identify exactly what is being ‘devolved’ to the Codes. Key issues for clarification would be the ownership of international rights and pathways for those rights.

Sport New Zealand

The review does not recognise the sports sector as both a stakeholder in the wagering sector and a major recipient of funds from sports betting. Sports betting is an increasingly important part of NZR’s business, contributing a growing proportion of total turnover, from 10% in 2003/04 to 27% in 2017/18. The NZR is strongly of the view that this trend will continue and is likely to accelerate further following the introduction of its fixed odds betting system.

Given the growing importance of sports betting to NZR’s business, Sport NZ believes NZR would benefit from sport expertise on its board. As the interests of the three racing codes are represented, it appears both sensible and equitable, for the interests of sport to also be represented.

Sport NZ considers the proposed board should comprise an independent Chair, representatives from the three racing codes, a representative from the sports sector and three independent members.
The committee’s final position on Recommendation 1
The committee strongly supports this recommendation. A restructured NZRB — to become TAB NZ — focused on its commercial activities (betting, broadcasting and gaming), without the conflicting priorities of some of its racing functions, will be more competitive and generate better returns for the industry.

Retain the commercially valuable TAB brand
The committee recommends that the NZRB become TAB NZ rather than Wagering NZ. The TAB brand is deeply established, has social acceptance, and has significant commercial value and appeal to New Zealand customers.

Splitting commercial activities and racing functions should improve effectiveness
The NZRB was created under the Racing Act 2003. The NZRB united the TAB, which ran New Zealand betting (betting on racing and sports events) and the broadcasting operations, and the New Zealand Racing Industry Board, which administered racing. It was considered that the NZRB would save costs by consolidating administration, and produce a better, more co-ordinated betting operation, but parts of the industry now believe that the NZRB is underperforming, and that the codes have lost control of their own interests.

Separating some of the NZRB’s racing functions, and returning them to the three racing codes, will enable each part of the industry to focus on its key interests. The Messara Report stated that the racing industry should be self-regulating, and have a clear, unambiguous relationship with its betting arm. TAB NZ should be free to concentrate solely on its commercial activities.

A project group to plan the transfer of racing responsibilities
To progress the transfer of racing responsibilities from the NZRB to the three racing codes, an Industry Governance Project Group (IGPG) was set up. It involved representatives from the NZRB and the three racing codes, and was co-ordinated by the committee secretariat.

The IGPG prepared information updating us on the identified roles, functions and responsibilities which will move from the NZRB to the three racing codes. The IGPG identified roles that are not now required. Inefficient systems and processes need to be eliminated.

The IGPG also considered and informed the committee on what it believes the role, if any, Racing NZ should play.

The IGPG’s work helped the committee to advise the Minister on how we will ensure the new industry structure is as cost-effective as possible, has a high level of accountability, and is effective and efficient for both TAB NZ and the wider racing industry.

The IGPG outlined to the committee what is involved in transferring racing responsibilities, how long it will take, and the approximate cost. It identified key fiscal implications, risks and benefits.

The IGPG gave us its feedback on 7 May 2019. We determined our final position on the proposed changes at the committee meeting on 11 June 2019. We will pass this information to RITA to consider.

Ultimately it will be RITA’s role to implement the required changes and develop a change management plan, set the timeframes for these changes, and consult further with the racing codes.
Actions completed to progress Recommendation 1
- The IGPG held four meetings and reported to the committee on 7 May 2019
- The final position on the proposed changes was determined at the committee meeting on 11 June 2019
- Recommended to the Minister the establishment of a transitional entity (RITA) as a central vehicle to oversee/sit above the transitional environment (Bill No. 1)

The action the committee recommends to the Minister for Recommendation 1
Approve the drafting of legislation (Bill No. 2) to allow for:
- changing the governance structure, so the NZRB becomes TAB NZ, focusing on its commercial activities, with some of its racing functions devolving to the individual codes (Bill No. 2).

The proposed on-going work plan for RITA’s consideration — Recommendation 1

<table>
<thead>
<tr>
<th>Recommendation 1:</th>
<th>Change the governance structure, so the NZRB becomes Wagering NZ with racing responsibilities devolving to the individual Codes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actions plan</td>
<td>By</td>
</tr>
<tr>
<td>Continue implementation of the Industry Governance Project Group (IGPG) key outcomes:</td>
<td>31 December 2019</td>
</tr>
<tr>
<td>have a clear pathway for the industry’s transition to its new structure via an industry change management plan</td>
<td></td>
</tr>
<tr>
<td>ensure the new industry structure is cost-effective, accountable, effective and efficient.</td>
<td></td>
</tr>
<tr>
<td>Establishment of TAB NZ, focusing on its commercial activities.</td>
<td>Ready to commence by 1 July 2020</td>
</tr>
</tbody>
</table>
Recommendation 2 of Messara Report
Establish Racing NZ as a consultative forum for the three racing codes

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.

Cross reference Racing NZ Recommendation (page 31 of the Messara Report)
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).

Cross reference Executive Summary Recommendation 6 (page 9 of the Messara Report)
Initiate a special review of the structure and efficacy of the RIU and allied integrity bodies, to be conducted by an independent qualified person.

The committee supports this recommendation in principle. Consideration has included what racing functions should devolve from the NZRB as it is restructured to create TAB NZ and focus solely on its commercial activities, and what the best framework is to enable the advancement of matters of mutual concern. The committee has recommended to RITA that TAB NZ has ownership and manages the co-ordination of the racing calendar in order to maximise domestic and import racing revenue. The final form of Racing NZ will be determined by RITA in consultation with the three racing codes.

Submissions received on Recommendation 2
The following represent an overview, summary or extract from the relevant key stakeholder submissions on the Messara Report. They are not intended to be a full record of any individual submission or collection of submissions received. Read submissions at www.dia.govt.nz.

New Zealand Racing Board
The Board supports in part this recommendation.

The Board supports the concept of Racing NZ but not the proposed construct (further detail provided in later Racing NZ Recommendation 1.

Although the current roles and responsibilities of each organisation are clearly defined in the Racing Act, over time, respective roles and responsibilities have become ambiguous from the broader industry’s perspective. As Mr Messara notes, his recommendations will improve the decision-making and accountability of each organisation.
The Board will be able to develop a change management plan which devolves racing regulatory functions in coordination with the Codes. While legislative change will be necessary to formalise all these arrangements in law, many changes can be made operationally effective in a shorter timeframe.

*New Zealand Thoroughbred Racing*
NZTR agrees that there should be a cross-Code forum which formalises tri-Code decision-making on matters where the interests of the three Codes align, such as the funding of certain integrity bodies or other matters. In NZTR’s view, decision making at Racing NZ should be on the basis that absolute unanimity was required – Codes should not be able to enforce their will on each other through Racing NZ decisions.

It may be convenient for legislative purposes if Racing NZ receives statutory recognition. However, it should not necessarily require staff or a budget per se. If so, these should be subject to tri-Code approval.

*Harness Racing New Zealand*
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 Recommendation 1).

*Greyhound Racing New Zealand*
OPPOSES in Principle

GRNZ believes that no such body is required. The Codes can work constructively and collaboratively to make industry wide / calendar-based decisions.

Additionally, the TAB NZ body would be responsible for managing / negotiating a racing calendar to suit, and all 3 Codes are represented on that Body.

GRNZ absolutely opposes the Governance Model for this body - 2 NZTR, 1 HRNZ and 1 GRNZ. This is potentially biased, conflicted and undermines the notion of industry engagement with one Code having effective control of the entire racing industry.

This is an unnecessary step in the process - the most efficient system is to allow the Codes to directly engage with Wagering NZ and meet as and when required among themselves for inter-code related activity.

**The committee’s final position on Recommendation 2**
The committee supports this recommendation in principle. Consideration has included what racing functions should devolve from the NZRB as it is restructured to create TAB NZ and focus solely on its commercial activities, and what the best framework is to enable the advancement of matters of mutual concern. The committee has recommended to RITA that TAB NZ has ownership and manages the co-ordination of the racing calendar in order to maximise domestic and import racing revenue. The final form of Racing NZ will be determined by RITA in consultation with the three racing codes.
The Industry Governance Project Group gave feedback to the committee
Before the committee decided whether to recommend setting up Racing NZ, we waited for information from the Industry Governance Project Group (IGPG), as it was considering this recommendation in the context of Recommendation 1 (page 32).

Recommendation 1 removes selected racing functions from the NZRB — creating TAB NZ — and these racing functions devolve to the three racing codes. The codes will need to collaborate on matters of mutual concern to carry out these racing functions. Racing NZ could provide the forum for them to do this.

The IGPG recommended that the question of whether a formally regulated Racing NZ is needed be determined by RITA in consultation with the three racing codes at a future date.

Its role would determine Racing NZ’s organisational form
The responsibilities given to Racing NZ will determine what form it takes.

Its structure will also be affected by the outcome of Recommendation 6 — a special review of the Racing Integrity Unit (RIU) and allied industry bodies (page 43). If Racing NZ is responsible for the integrity functions of the racing industry, it is likely to need a formal structure — a consultative forum would be too ‘light touch’.

However, Racing NZ’s structure must be cost-efficient. It must not become an administrative empire unnecessarily.

Commercial agreements with TAB NZ should not be owned by Racing NZ, but individually by each of three racing codes.

All three racing codes must agree on Racing NZ’s form
If Racing NZ is a formal structure, HRNZ and GRNZ are concerned because Messara’s proposal gives NZTR effective control over the entire racing industry. The Messara Report recommended that Racing NZ have two members from NZTR — one of them the chair with a casting vote. But he also said Racing NZ should not be empowered to act unilaterally without the approval of the codes.

We consider one option for a suggested solution is that the chair could be an independent person chosen by a panel of the three codes and/or the Minister.

Actions completed to progress Recommendation 2
The Department of Internal Affairs has advised the committee on possible legislative requirements of Racing NZ.

The Industry Governance Project Group recommended that RITA determine whether Racing NZ is needed, in consultation with the three racing codes.

The action the committee recommends to the Minister for Recommendation 2
The committee seeks no actions from the Minister at this stage.

The Minister may later need to approve the drafting of legislation (Bill No. 2) to allow for:
- the establishment of Racing NZ to create a legally constituted consultative forum for the three racing codes.
The proposed on-going work plan for RITA’s consideration —
Recommendation 2

**Recommendation 2:**
Establis**h Racing NZ as a consultative forum for the three codes to agree on sector-wide issues**

<table>
<thead>
<tr>
<th>Actions plan</th>
<th>By</th>
<th>Include in Bill number</th>
<th>Revenue impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Continue to work with the three racing codes on whether Racing NZ is required or not, and if required, what form it should take.</td>
<td>In line with Bill No. 2 timeline</td>
<td>Bill No. 2 if required</td>
<td>Potential savings through collaborative code activities, that is, shared service arrangements.</td>
</tr>
</tbody>
</table>
Recommendation 3 of Messara Report
Change the composition and qualifications for directors of code regulatory bodies

Change the composition and qualifications for directors of regulatory bodies.

Cross reference Racing Codes Recommendation 2 (page 30 of the Messara Report)
Restructure the composition and amend qualifications for Directors of the Board of Wagering NZ.

The committee supports this recommendation as a key element to improve industry governance.

Submissions received on Recommendation 3
The following represent an overview, summary or extract from the relevant key stakeholder submissions on the Messara Report. They are not intended to be a full record of any individual submission or collection of submissions received. Read submissions at www.dia.govt.nz.

New Zealand Racing Board
The Board supports this recommendation.

New Zealand Thoroughbred Racing
NZTR supports at a high level the recommendations in relation to governance at Code Boards, but makes the following observations:

The NZTR directors are appointed by the Members Council, which is taken to represent the interests of the thoroughbred sector as a whole. Individual directors are not appointed to represent specific sectoral interests and any new legislation should recognise this; and

It should still be the case that a director can be removed for office for (at least) inability to perform the duties of office, bankruptcy, neglect of duty, or misconduct, no matter who appointed them.

The legislation should clarify whether it is intended that each Code should be required to appoint two additional independent directors (as is the case in Australia) or merely that at least two of the existing directors should meet the test set out above. NZTR’s view is that the latter is preferable to ensure that the Board size remains workable.

Harness Racing New Zealand
Supportive in principle. Details to be worked through.

Greyhound Racing New Zealand
SUPPORTS
GRNZ believes that this could make a positive contribution to the racing community but that it should be implemented in conjunction with some training and development investment for Racing Industry Club board members / directors.
The committee’s final position on Recommendation 3
The committee supports this recommendation as a key element to improve industry governance.

The committee broadly supports the Messara Report’s focus on the directorship of code regulatory bodies.

The Industry Governance Project Group (IGPG) considered this recommendation, alongside its work investigating Recommendations 1 and 2.

The IGPG reviewed the Messara Report’s recommended criteria for qualifications to ensure skills, experience, and the management of conflict of interest will achieve the intended outcomes.

Independent membership criteria proposed to be set through legislation
The Messara Report recommended that each code have at least two independent board members, who are not members of the board of a race club or a kindred body, and that they have the following qualifications:

- experience in a senior administrative role or experience at a senior level in one or more of the fields of business, finance, law, marketing, technology, commerce, regulatory administration or regulatory enforcement
- a proven knowledge of the racing and betting industries (racing and sports).

The Messara Report recommended that the composition and qualifications of boards be set through legislation and that the independent members be appointed for 3-year terms, but be eligible for reappointment, with a maximum period of appointment of 6 years.

The committee considered whether setting membership by legislation or constitution is best practice
The committee questioned whether a legislated requirement was necessary. The committee questioned whether racing codes and clubs, which are incorporated societies, would consider it to be unfair if their board and committee members were to be held to legal requirements, when other incorporated societies, including national sporting organisations, are not. They set the requirements for board membership through their constitutions.

If the codes are to set the new requirements for independent directors through their constitutions, their constitutions will need to be amended and approved through their normal process. The committee recommends that the governance structure of the codes and other regulatory bodies continues to be developed under RITA, with the aim of achieving best-practice standards across the three racing codes and other regulatory bodies.

The committee was pleased to note that HRNZ held a special general meeting in June 2019, which approved changes to their governance structure to better align it with governance best practice.

We also recommend investigating legislative requirements for the three racing codes to establish processes for:

- the annual approval of clubs and venues, which would incorporate club requirements for governance and compliance
- licensing race meetings to ensure the venue is race-ready.
The IGPG also investigated whether NZTR’s updated template for club constitutions would be suitable for harness and greyhound clubs to adopt. The template includes guidance on the diversity of board and committee members and the different skillsets required.

Actions completed to progress Recommendation 3
- The committee added consideration of this recommendation to the work of the IGPG.
- The Department of Internal Affairs advised on whether legislation is required.
- The committee agreed to a best-practice approach for code and club governance.
- The committee recommended that the governance structure of the codes and other regulatory bodies continues to be developed under RITA.
- The committee recommended RITA continues to investigate legislative requirements for the three racing codes to establish processes for:
  - the annual approval of clubs and venues, which would incorporate club requirements for governance and compliance
  - licensing race meetings to ensure the venue is race-ready.

The action the committee recommends to the Minister for Recommendation 3
The committee seeks no further actions from the Minister at this time. Legislative changes may be required in Bill No. 2, depending on the findings of the IFVPG.

The proposed on-going work plan for RITA’s consideration — Recommendation 3

<table>
<thead>
<tr>
<th>Recommendation 3:</th>
<th>Change the composition and qualifications for directors of regulatory bodies</th>
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<tbody>
<tr>
<td><strong>Actions plan</strong></td>
<td><strong>By</strong></td>
</tr>
<tr>
<td>Review codes’ and other regulatory bodies’ progress towards adopting best-practice models.</td>
<td>31 December 2019</td>
</tr>
<tr>
<td>IFVPG will investigate what legislative requirements are needed for the racing codes to establish processes for:</td>
<td>In line with Bill No. 2 timeline</td>
</tr>
</tbody>
</table>
Recommendation 6 of Messara Report
Review the structure and efficacy of the racing integrity bodies

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

Cross reference Integrity & Animal Welfare Recommendation 1
Appoint a well-qualified independent person to review the overall Integrity model for its efficacy, independence and accountability.

and Finances & Distributions to Codes Recommendation 5 (page 32 of the Messara Report)
Continue to fund the racing integrity services from NZRB (Wagering NZ/TAB NZ) gaming profits.

The committee strongly supports this recommendation.

Submissions received on Recommendation 6
The following represent an overview, summary or extract from the relevant key stakeholder submissions on the Messara Report. They are not intended to be a full record of any individual submission or collection of submissions received. Read submissions at www.dia.govt.nz.

New Zealand Racing Board
The Board supports this recommendation.

New Zealand Thoroughbred Racing
NZTR supports a robust review of the sector’s integrity structures. In NZTR’s view this review needs to take place immediately so that any changes to racing’s integrity system that require legislative amendment can be incorporated as part of any broader amendment to the structure of the racing sector and given the most recent integrity challenges in the harness racing sector.

In NZTR’s view, it will be important that the review is conducted jointly by persons with experience of the operation of integrity services in New Zealand and with alternative, non-tri-Code models in Australia, at least one of whom should be legally qualified.

Harness Racing New Zealand
HRNZ is supportive of this review, which should include a review of the strategic, performance and accountability criteria in place for the integrity bodies.

Greyhound Racing New Zealand
SUPPORTS

GRNZ believes that the RIU and other Integrity partners are an integral part of the confidence that the community has in the Racing Industry.

GRNZ believes that the most cost-effective model for Industry Integrity should be pursued, but wishes to record that it strongly advocates for combined / shared services in this area.
The committee’s final position on Recommendation 6
The committee strongly supports this recommendation.

The committee, in consultation with the Minister’s office, agreed terms of reference for a special review of the structure and efficacy of the RIU and allied integrity bodies, and appointed an independent qualified person, Malcolm Burgess, with assistance provided by subject matter experts.

A final draft of the special review was received in June 2019 following considerable consultation with the wider racing industry. We will pass the special review report to RITA to develop a framework for processing its recommendations, including further industry consultation where necessary.

Actions completed to progress Recommendation 6
- The committee agreed on the terms of reference, following feedback from the NZRB, the racing codes and integrity bodies.
- The Department of Internal Affairs engaged Malcolm Burgess to conduct the special review.
- The committee received a final draft of the special review in June 2019.

The action the committee recommends to the Minister for Recommendation 6
The committee seeks no actions from the Minister at this time.

RITA may recommend legislative changes after considering the report of the special review of the RIU and allied integrity bodies.

The proposed on-going work plan for RITA’s consideration — Recommendation 6

<table>
<thead>
<tr>
<th>Recommendation 6:</th>
<th>Initiate a special review of the structure and efficacy of the Racing Integrity Unit (RIU) and allied integrity bodies, to be conducted by an independent qualified person</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Actions plan</strong></td>
<td><strong>By</strong></td>
</tr>
<tr>
<td>Receive the draft final report on the special review of the structure and efficacy of the RIU and allied integrity bodies and develop a framework for processing its recommendations.</td>
<td>First meeting of RITA</td>
</tr>
<tr>
<td>Draft legislation if necessary.</td>
<td>In line with Bill No. 2 timeline</td>
</tr>
</tbody>
</table>
Recommendation 16 of Messara Report

Establish traceability and re-homing of the entire thoroughbred herd, as foundation of the industry’s animal welfare program

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.

Cross reference Integrity & Animal Welfare Recommendation 2 (page 31 of the Messara Report)

The committee strongly supports this recommendation, and recommends amending it to include all three racing codes. Animal welfare issues are of high public interest. They are an on-going focus and concern for the racing industry. Measures for the oversight of animal welfare were considered in the review of racing integrity bodies covered by Recommendation 6 (page 43).

Submissions received on Recommendation 16

The following represent an overview, summary or extract from the relevant key stakeholder submissions on the Messara Report. They are not intended to be a full record of any individual submission or collection of submissions received. Read submissions at www.dia.govt.nz.

New Zealand Racing Board

The Board supports this recommendation.

New Zealand Thoroughbred Racing

NZTR agrees that robust traceability systems need to be implemented, and is well-advanced on the appropriate Rules amendments to do this. It is expected that the relevant Rules will be in force within six months.

NZTR supports the introduction of robust rehoming processes. It is important that these are Code-specific and that each Code meets the actual costs of rehoming their retired animals.

Harness Racing New Zealand

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.

Greyhound Racing New Zealand

SUPPORT

GRNZ believes that this is primarily a Thoroughbred issue and wishes to support our fellow Code in this matter.

GRNZ adds that animal welfare is an ongoing concern for the industry and that it supports any efforts to maintain the comfort and confidence of the public.
The committee’s final position on Recommendation 16
The committee strongly supports this recommendation, and recommends amending it to include all three racing codes. Animal welfare issues are of high public interest. They are an on-going focus and concern for the racing industry. Measures for the oversight of animal welfare were considered in the review of racing integrity bodies covered by Recommendation 6 (page 43).

Actions completed to progress Recommendation 16
- The committee has had presentations from the three racing codes on their work in this area, how they will implement any changes, and how they see their animal welfare work being audited.
- The committee has examined MPI’s National Animal Identification and Tracing (NAIT) system for its possible application to the racing industry. However, the system was found to be unsuitable.
- The committee has received the final draft report on the review of racing integrity bodies.

The action the committee recommends to the Minister for Recommendation 16
The committee seeks no actions from the Minister at this time.

RITA may recommend legislative changes after considering the report of the special review of the RIU and allied integrity bodies.

The proposed on-going work plan for RITA’s consideration — Recommendation 16

<table>
<thead>
<tr>
<th>Recommendation 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</th>
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<tbody>
<tr>
<td><strong>Actions plan</strong></td>
</tr>
<tr>
<td>Consider recommendations in the special review of the RIU and allied integrity bodies.</td>
</tr>
<tr>
<td>Continue to monitor codes’ animal welfare policy development</td>
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<tr>
<td>Draft legislation if necessary.</td>
</tr>
</tbody>
</table>
Finance and distribution to the codes

Recommendation 5
Amend the Section 16 distribution formula of the Racing Act

Recommendation 10
Introduce Betting Information Use Charge and Point of Consumption Charge legislation

Recommendation 11
Repeal the existing betting levy

Recommendation 17
Increase thoroughbred prizemoney
Recommendation 5 of Messara Report
Amend the Section 16 distribution formula of the Racing Act

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

**Cross reference Finances & Distribution to Codes Recommendation 2 (page 32 of the Messara Report)**
Amend Section 16 of Act to provide that NZRB (Wagering NZ) profits are distributed to Codes on following basis:

- 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:
  - 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.

**Cross reference Finances & Distribution to Codes Recommendation 3 (page 32 of the Messara Report)**
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.

**Cross reference Finances & Distribution to Codes Recommendation 4 (page 32 of the Messara Report)**
Provide for an independent review of the scheme after 10 years.

The committee supports this recommendation in principle.

**Submissions received on Recommendation 5**
The following represent an overview, summary or extract from the relevant key stakeholder submissions on the Messara Report. They are not intended to be a full record of any individual submission or collection of submissions received. Read submissions at [www.dia.govt.nz](http://www.dia.govt.nz).

**New Zealand Racing Board**
The Board supports in part this recommendation.

The Board is supportive of the principle of developing a more equitable distribution formula but does not believe the proposed formula will stand up to heavy scrutiny by the three Codes.
New Zealand Thoroughbred Racing
NZTR strongly supports the revised distribution formula because it is more equitable and appropriately reflects thoroughbred racing’s economic contribution to New Zealand. We note that if this formula is prescribed in statute then it significantly limits the scope of any commercial negotiations between the Codes/WNZ unless the Codes negotiate additional above-the-line product fees with WNZ, which are essential to move the industry forward.

The arrangements for the funding of integrity services require clarification. In particular it is not clear whether it is proposed that WNZ or Racing New Zealand ultimately determines what the budget for integrity services will be. In NZTR’s view, the Codes should be responsible for determining budgets for integrity services.

Harness Racing New Zealand
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.

Greyhound Racing New Zealand
OPPOSES
GRNZ opposes the proposal as it currently stands – based on the details of the formula applied.
GRNZ opposes the 10-year term and the 25% + 25% + 50% formula for additional industry funding.
GRNZ instead proposed all incremental funding be based on 100% of code contribution to the NZRB profitability from both domestic and international wagering:

NZTR: 59.9%
HRNZ: 20.3%
GRNZ: 19.8%

This model should be put in place for 2-3 years, in order to assess its fairness and impact.

Sport New Zealand
Extract from the submission on combined Executive Summary and Finances and Distributions to Codes Recommendations

It is interesting to note that the review suggests the formula to determine distribution between the three racing codes is no longer fit for purpose, and should be changed to reflect the individual codes contribution to the profitability of NZRB and the contribution they individually make to the NZ economy.

Sport NZ recommends the same logic be applied to sport, with a distribution formula to sport reflecting its contribution to the gross betting revenue of NZRB, and its contribution to the New Zealand economy - the latter of which is estimated to be $4.98b or 3% of total gross domestic product (compared to the racing industry’s contribution of $1.68b).
As it stands, this recommendation will increase the existing cross subsidisation of racing from sports betting, given the predicted continued growth of the amount of sports betting.

The committee’s final position on Recommendation 5

The committee supports this recommendation in principle.

Independent advisors Grant Thornton conducted an independent expert review of the distribution models proposed by the Messara Report and the racing codes’ submissions. We received a report of the review’s findings in June 2019. We will pass the report to RITA for its consideration. RITA will examine the options closely to find a distribution model that, in RITA’s view, best acknowledges the contribution that each of the three racing codes makes to generating TAB NZ profit. This could include transitioning from an historic distribution model to a more market-driven distribution model.

The formula could be set outside primary legislation

The committee questioned whether the formula needed to be set out in primary legislation.

The Racing Reform Bill (Bill No. 1) comes into effect from 1 July 2019. This bill removes the distribution formula from Section 16 of the Racing Act. It will allow the formula to be set in regulation for applying and distributing TAB NZ’s net profit available for distribution to the three racing codes.

RITA will consider setting a default distribution formula in the regulations. This default formula can be applied if RITA and the three racing codes cannot agree on a distribution formula. RITA will also consider reintroducing a majority agreement arrangement between the three racing codes as an alternative to the default arrangement.

While locking in the model over, say, a 10-year period would give some certainty to the three racing codes, this may not be practical. The racing industry is very dynamic. A model that can easily be changed to meet market conditions may be more beneficial. Bill No. 1 provides for regulations that can be changed from time to time as agreed by the responsible Minister.

Actions completed to progress Recommendation 5

- Independent advisors Grant Thornton were engaged to conduct an independent expert review of the proposed distribution models from the Messara Report and the racing code submissions, alongside alternative distribution model options.
- We received the report from Grant Thornton in June 2019.
- Bill No. 1 comes into effect from 1 July 2019. This bill removed the distribution formula from Section 16 of the Racing Act, allowing the formula, application and distribution of TAB NZ’s net profit available for distribution to the three racing codes to be set in regulation.
The action the committee recommends to the Minister for Recommendation 5
The committee seeks no further actions from the Minister at this time.

- Included in Bill No. 1
- No further legislation required but regulations to be developed and finalised

RITA will provide further advice to the Department of Internal Affairs on the method for determining the amounts that may be distributed to the racing codes from any surpluses.

The proposed on-going work plan for RITA’s consideration — Recommendation 5

**Recommendation 5:**
Amend the Section 16 distribution formula of the Racing Act 2003 to a more equitable basis for fixed 10-year terms

<table>
<thead>
<tr>
<th>Actions plan</th>
<th>By</th>
<th>Include in Bill number</th>
<th>Revenue impact</th>
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<tbody>
<tr>
<td>Receive the report from Grant Thornton examining the options put forward to find a distribution model that, in RITA’s view, best acknowledges the contribution that each code makes to TAB NZ’s net profit available for distribution.</td>
<td>By July 2020</td>
<td>Industry stakeholders are able to make investment decisions based on certainty around the funding model.</td>
<td></td>
</tr>
</tbody>
</table>
Recommendation 10 of Messara Report  
Introduce Betting Information Use Charge and Point of Consumption Charge legislation

Introduce Race Fields 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.

The committee strongly supports this recommendation and the proposed process to collect the Betting Information Use Charge (BIUC) and the Point of Consumption Charge (POCC).

Submissions received on Recommendation 10
The following represent an overview, summary or extract from the relevant key stakeholder submissions on the Messara Report. They are not intended to be a full record of any individual submission or collection of submissions received. Read submissions at [www.dia.govt.nz](http://www.dia.govt.nz).

*New Zealand Racing Board*

The Board supports this recommendation.

*New Zealand Thoroughbred Racing*

NZTR strongly supports the introduction of efficient and effective race fields and point of consumption tax legislation. In this context, NZTR emphasises that there is clearly scope for the model proposed in the Racing Amendment Bill to be streamlined and made more practical.

Whatever fees are charged in New Zealand must be competitive with what is being charged in the major Australian wagering jurisdictions.

NZTR strongly supports each Code taking responsibility for setting and collecting race fields fees pursuant to contractual agreements with overseas operators. NZTR considers that Codes must have discretion about how those fees are set to recognise betting exchanges and other alternative business models to traditional bookmaking (i.e. the formula should not be exclusively turnover based), and the competitive marketplace in Australia and internationally.

NZTR considers that existing agreements between NZRB and offshore operators should be terminated and renegotiated in line with all other agreements.

NZTR’s preferred model is that the consumption charge scheme be operated by each Code in the same way as the race fields scheme.

However, NZTR considers that, if the DIA is to administer the consumption charge scheme, the Codes should nevertheless be able to set the rate to be charged to ensure that it is commercially viable. The DIA should have a duty to maximise the financial return to each Code through the consumption charge scheme.

*Harness Racing New Zealand*

Agreed – needs to be addressed as soon as possible.
Greyhound Racing New Zealand

SUPPORTS

GRNZ believes that this should be actioned by separate legislation as quickly as possible.

GRNZ suggests that the NZRB / Wagering NZ be statutorily recognised as a collection agency for Race Fields fees and that the Codes should be entitled to elect to take this service from Wagering NZ.

Sport New Zealand

Sport NZ agrees with this recommendation to introduce the race fields legislation, although notes the Racing Amendment Bill has been withdrawn subsequent to the release of this review.

Sport NZ would support the race fields aspect of the Amendment Bill being retained in any subsequent amendment to the Racing Act.

The revenue from offshore bookmakers’ fees was estimated by the working group to be approximately $16m per annum, growing to $25m after 5 years. It was estimated sport would initially receive approximately $4.5m.

The review provides for the role of the single Designated Authority to administer the information use charge and proposes that Sport NZ undertake this role, as an independent entity.

The review fails to recognise that Sport NZ is a Crown agency and that any objections to the Department of Internal Affairs holding this role equally apply to Sport NZ as a government agency.

The committee’s final position on Recommendation 10

The committee strongly supports this recommendation and the proposed process to collect the Betting Information Use Charge (BIUC) and the Point of Consumption Charge (POCC).

The committee agreed with the Messara Report’s recommendation of going ahead with proposed legislation to raise revenue for racing and sport in these two ways.

- A charge for offshore betting operators using New Zealand racing information and vision and sports information in their betting products — the Betting Information Use Charge (BIUC). The rates need to be easily changed to meet market conditions

  The offshore betting operators will pay the BIUC to the assigned designated authority in New Zealand. The final recommendation on who the assigned designated authorities are will be determined by the department and RITA (at least) initially.

- A Point of Consumption Charge (POCC) when offshore betting operators take bets from a person with a New Zealand address, irrespective of whether the bet involves New Zealand racing or sport or not.

  The offshore betting operators will pay the POCC to the assigned designated authority in New Zealand. The final recommendation on who the assigned designated authorities are will be determined by the department and RITA (at least) initially.
Legislation has provided the framework for the BUIC and POCC

The Racing Reform Bill (Bill No. 1), which comes into effect from 1 July 2019, introduces legislation that provides the framework for introducing the BUIC and POCC.

The BIUC and POCC are being introduced to recognise the financial returns that offshore betting operators enjoy from bets that they take on racing and sporting events held in New Zealand and from bets that they take from people who are New Zealand residents with a New Zealand address.

This framework:

- establishes a scheme for Betting Information Use Charge (BIUC) that requires offshore betting operators to enter into:
  - commercial agreements with the designated authority in New Zealand before using New Zealand racing information and vision and sporting information to take bets on racing and sporting events taking place in New Zealand
  - an agreement with that designated authority setting out terms and conditions for the authority’s permission, including the offshore betting operator’s agreement to pay the BIUC for using that information in their betting operations.

- establishes a scheme for a Point of Consumption Charge (POCC) that requires offshore betting operators to pay POCC in respect of bets that they take on racing events and sporting events from New Zealand residents with a New Zealand address, whether those events are held in or outside New Zealand

- provides for the designated authority to implement the BIUC and POCC scheme, including collecting the revenue generated and applying the revenue received to meet the costs of administration and enforcement, promote the long-term viability of racing and sport in New Zealand, and fund measures to prevent and minimise harm from gambling.

The Minister will set the framework for the rates through regulations, but the committee proposes that actual rates be subject to change depending on the prevailing market conditions. The intention is that the rates will be flexible and can be set by the designated authority, as long as they fall within the framework set in regulation.

The committee also agrees that the rates should be set by RITA (at least) initially, in consultation with each racing code and the national sporting organisations. This will ensure that alignment between the export and import product charges and the marketplace is maintained, to optimise the revenue from both sources.

RITA will co-ordinate commercial agreements during the transitional period

The introduction of this legislation and the associated regulations has provided the opportunity for RITA to progress individual commercial agreements with offshore betting operators, consulting with national sporting organisations and the three racing codes. From 1 July RITA will be responsible for co-ordinating these agreements (at least) during the transitional period.

If the collection of the POCC is not assigned from the Department of Internal Affairs, then regulations for collecting the POCC should include a regular performance and efficiency audit of the department to ensure administration of the collection process is cost-effective.
Operational planning and development of Regulations is under way
Urgent work is being done on setting the operational and process details, referring to how the BIUC and POCC actually work in the Australian marketplace. The department is developing regulations to support the legislation in consultation with RITA and the three racing codes and Sport NZ. These regulations will optimise this revenue opportunity for the New Zealand racing industry and sporting organisations. This work will be completed as soon as practicable now Bill No. 1 is enacted.

Actions completed to progress Recommendation 10
- Racing Reform Bill (Bill No. 1), coming into effect from 1 July 2019, allows for:
  - a Betting Information Use Charge — BIUC
  - a Point of Consumption Charge — POCC
  - noting that the committee recommends the rates for the BIUC and POCC are to be flexible, and to be set by the approved designated authorities in consultation with the three racing codes and sporting organisations.

- While the Department of Internal Affairs is the designated authority for both the BIUC and POCC, the committee has recommended that the department assign RITA as the designated authority at first, as a transitional measure only, for both the BIUC and POCC. This will ensure that the various agreements are consistently applied, and that the various rates are set at sustainable commercial levels for both the racing industry and offshore betting operators.

The action the committee recommends to the Minister for Recommendation 10
The committee seeks no further actions from the Minister at this time.
- Included in Bill No. 1
- No further legislation required but regulations to be developed and finalised

The proposed on-going work plan for RITA’s consideration — Recommendation 10

<table>
<thead>
<tr>
<th>Recommendation 10:</th>
<th>Introduce Betting Information Use Charge and Point of Consumption Tax legislation</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Actions plan</strong></td>
<td><strong>By</strong></td>
</tr>
<tr>
<td>Continue operational planning and development of regulations.</td>
<td>As soon as practicable following the enactment of Bill No. 1</td>
</tr>
</tbody>
</table>
Recommendation 11 of Messara Report

Repeal the existing betting levy

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 (Wagering NZ (TAB NZ’s)) net profit.

The committee strongly supports this recommendation.

Submissions received on Recommendation 11
The following represent an overview, summary or extract from the relevant key stakeholder submissions on the Messara Report. They are not intended to be a full record of any individual submission or collection of submissions received. Read submissions at www.dia.govt.nz.

New Zealand Racing Board
The Board supports this recommendation.

New Zealand Thoroughbred Racing
NZTR strongly supports the repeal of totalisator duty but considers that the proposed distribution model could be improved to reduce administration costs. The model proposed in the report for the redistribution of totalisator duty appears unduly complex given the other mechanisms for passing funds to the industry.

Harness Racing New Zealand
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).

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.

Greyhound Racing New Zealand
SUPPORTS in Principle.

GRNZ believes that this is a positive step forward for the industry and will allow for further industry funding during a period of transition.

GRNZ OPPOSES the proposed funding split for this $13m annual sum. Instead, GRNZ suggests that it is set aside for industry infrastructure investment (so that it can be shown to have achieved specific outcomes) and that it be made available to Codes on the basis of the GRNZ suggested code distribution formula:

100% of code contribution to NZRB profitability from both domestic and international wagering.
Further, GRNZ suggests that the levy be placed in abeyance for between 5-10 years, and that at the end of that period it be put back in place as a gesture of good will to the public of New Zealand who have supported the Racing Industry during this period of reform.

**Sport New Zealand**

Sport NZ agrees with this recommendation on the proviso that a portion of the redirected duty is returned to sport, rather than all of it going to racing.

As the calculation of this duty includes all betting, of which sports betting is part, Sport NZ believes the same proportion be returned to sport that was generated from it.

**The committee’s final position on Recommendation 11**

The committee strongly supports this recommendation.

The money — estimated in the Messara Report as $13 million a year — will inject much-needed funds into the racing industry and Sport NZ.

The committee has worked on implementing this recommendation in two stages — setting the framework to account for the betting levy saving, then agreeing on and implementing its distribution.

The committee agrees with the Messara Report that the change would also signal Government support for the racing industry and its importance to the New Zealand economy and Sport NZ.

It is in the Government’s interests to revitalise the racing industry, which in turn will lead to increased employment, exports, and a general increase in the industry’s already significant contribution to the New Zealand economy and support of sport in New Zealand.

The racing industry, taken as a whole, is in a loss-making position, with owners’ losses greatly exceeding NZRB profit on an annual basis.

**Set a framework for collecting the betting levy — through regulation**

The Racing Reform Bill (Bill No. 1), coming into effect from 1 July 2019, progressively reduces the betting levy equally over a 3-year period, after which it will be repealed.

The bill also allows the formula for the distribution to be set in regulations.

The accounting treatment has been agreed so the amount equal to the reduction in the levy can be accounted for and then paid to the three racing codes and Sport NZ. The method of distribution will be set out in regulations, that will also determine the amount to be set aside by RITA for industry-related gambling harm minimisation initiatives.

**Reconsider how to distribute the betting levy between racing codes and sporting codes**

The Messara Report recommends distributing the money according to each code’s contribution to the New Zealand economy. The contribution is based on a February 2018 report by IER, *Size and Scope of the New Zealand Racing Industry*. It calculates the racing industry is worth $1.6 billion, and the codes contribute the following percentages.
## Estimated contribution to the New Zealand economy of the racing codes

<table>
<thead>
<tr>
<th>Code</th>
<th>Contribution to NZ economy</th>
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<tbody>
<tr>
<td>Thoroughbred racing</td>
<td>67.2%</td>
</tr>
<tr>
<td>Harness racing</td>
<td>27.1%</td>
</tr>
<tr>
<td>Greyhound racing</td>
<td>5.7%</td>
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</table>

The three racing codes supported redirecting the income from the levy for their use. But none thought it appropriate to base the split of distributions on contribution to the economy. The committee notes these concerns.

The committee engaged an independent expert review by Grant Thornton to analyse Messara’s model, and examine the best mechanism to distribute the income, taking into account the definition of ‘contribution to the economy’ as well.

The committee received the report from Grant Thornton in June 2019, and will pass it to RITA for its consideration and to examine more closely the various options put forward. Until RITA has reviewed the report and conducted further consultation, the amount by which the betting levy has reduced (1.33% in the first year) will be retained by RITA in the meantime and accounted for separately to ensure full transparency of the amount involved.

The committee agrees in principle with Sport NZ’s submission that sporting codes should receive the proportion of the levy that relates directly to sports betting. The legislation has provided for this to be paid to Sport NZ for them to on-distribute to sport.

### Actions completed to progress Recommendation 11

- The Department of Internal Affairs has liaised with Inland Revenue, who led the work to repeal the betting levy.
- Bill No. 1, coming into effect from 1 July 2019, progressively reduces the betting levy equally over a 3-year period, after which it will be repealed.
- Bill No. 1 also allows the formula for the distribution to be set in regulations, including an amount to be set aside for gambling harm minimisation initiatives. The committee engaged independent advisors Grant Thornton to examine the best mechanism to distribute the income from the reduction in the betting levy, and received their report in June 2019.

The action the committee recommends to the Minister for Recommendation 11

The committee seeks no further actions from the Minister at this time.

- Included in Bill No. 1
- No further legislation required but regulations setting aside funds for industry-related harm minimisation initiatives and prescribing a method for distribution to the racing codes and Sport NZ to be developed and finalised
The proposed on-going work plan for RITA’s consideration —
Recommendation 11

**Recommendation 11:**
*Repeal the existing betting levy of approximately $13 million per annum paid by the NZRB and redistribute to codes*

<table>
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<th>Actions plan</th>
<th>By</th>
<th>Include in Bill number</th>
<th>Revenue impact</th>
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<tbody>
<tr>
<td>Receive the report from Grant Thornton and consider the options put forward for a distribution model that could be applied to the amount retained under the betting levy reduction.</td>
<td>31 October 2019</td>
<td></td>
<td>Levy starts accumulating from 1 July 2019.</td>
</tr>
</tbody>
</table>
Recommendation 17 of Messara Report
Increase thoroughbred prizemoney

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.

Also, cross-referenced in Part 3:
Recommendation 6 (page 74 of the Messara Report)
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.

The committee supports the recommendation and agrees the three racing codes will need to manage any increases in prizemoney in consultation with their clubs.

Submissions received on Recommendation 17
The following represent an overview, summary or extract from the relevant key stakeholder submissions on the Messara Report. They are not intended to be a full record of any individual submission or collection of submissions received. Read submissions at www.dia.govt.nz.

New Zealand Racing Board
The Board Supports this recommendation

New Zealand Thoroughbred Racing

NZTR strongly supports the intended increase in prizemoney and fixed minimums, together with a simplification of the stakes matrix which aligns with the best interests of thoroughbred racing and recognises NZ’s particular circumstances. Consistent with the principles of Code autonomy articulated in the report, the ultimate decision on the stake’s matrix should sit with NZTR.

Harness Racing New Zealand

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.

Greyhound Racing New Zealand

GRNZ believes this is primarily a thoroughbred issue and wishes to support our fellow Code in this matter.

GRNZ simply notes that it assumes a fair and agreed uplift in prizemoney available to both Harness and Greyhound will also apply.
**Other submitters**

This recommendation received 53 submissions, with no submission being directly opposed to the recommendation.

**The committee’s final position on this recommendation**

The committee supports this recommendation and agrees the three racing codes will need to manage any increases in prizemoney in consultation with their clubs.

The committee also notes that increasing prizemoney can only happen if other recommendations in the Messara Report are implemented and successfully increase net revenue, and if the business-as-usual activities and the new strategic initiatives of the NZRB produce their forecasted revenue results.

The committee recommends that RITA urgently complete work to verify the projected 2019 end-of-year results for the NZRB (RITA from 1 July 2019), to confirm whether funding can be maintained at the current level for the 2019–2020 racing season. Note that for the last two racing seasons, additional industry funding of $12m per season has been distributed by the NZRB. This is over and above the NZRB net profit available before distribution.

The action the committee recommends to the Minister for Recommendation 17

The committee seeks no action from the Minister at this time.

**The proposed on-going work plan for RITA’s consideration — Recommendation 17**

**Recommendation 17:**

**Increase thoroughbred prizemoney to over $100 million per annum through a simplified payment model**

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<tr>
<th>Actions plan</th>
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<th>Include in Bill number</th>
<th>Revenue impact</th>
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<tbody>
<tr>
<td>Complete work to verify the projected 2019 end-of-year results for the NZRB (RITA from 1 July 2019) and to provide clarity to the codes about funding for the 2019–2020 racing season. Ask the three racing codes for information about their future prizemoney policies in due course, to make sure they align with Recommendation 17.</td>
<td>First meeting of RITA</td>
<td>A prizemoney structure that increases participation and field sizes, and generates revenue growth.</td>
<td></td>
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</table>
Betting and the TAB

Recommendation 4
Request a performance and efficiency audit of the NZRB under Section 14

Recommendation 7
Investigate outsourcing of the NZRB’s commercial activities to an international betting operator

Recommendation 8
Seek approval for a suite of new betting products to increase funding for the industry

Recommendation 9
Confirm the assignment of intellectual property by the clubs to the codes
Recommendation 4 of Messara Report
Request a performance and efficiency audit of the NZRB under Section 14

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.

The committee strongly supports this recommendation. The information the audit will produce will assist in the evaluation of whether all or some of the commercial activities of TAB NZ are outsourced or not (Recommendation 7, page 66). It will also provide RITA with baseline information in considering the establishment and operations of TAB NZ and devolution of some of its racing functions to the three racing codes (Recommendation 1, page 32).

Submissions received on Recommendation 4
The following represent an overview, summary or extract from the relevant key stakeholder submissions on the Messara Report. They are not intended to be a full record of any individual submission or collection of submissions received. Read submissions at www.dia.govt.nz.

New Zealand Racing Board
The Board supports this recommendation.

In his report, Mr Messara does not criticise the performance of the Board other than to note that in his view, outsourcing the commercial functions of the Board will allow it to reach greater scale. Although Performance and Efficiency Audits focus on statutory functions, a wider focus on costs and the Board’s strategic direction would provide a useful benchmark for comparison in any outsourcing evaluations.

The Racing Act 2003 requires the Board to undergo a Performance and Efficiency Audit every five years, with the last Audit completed in April 2014. Furthermore, the Board is obligated to consult with the Minister of Racing on the Terms of Reference of the Audit at least four months before it is due to be conducted. Therefore, unless the Racing Act 2003 is amended to remove this requirement and the bill is enacted into legislation by the end of 2018, the Board will be legally obligated to commence the Audit process to make the April 2019 deadline anyway.

New Zealand Thoroughbred Racing

NZTR agrees that as part of the NZRB’s transition into WNZ, a frank and impartial assessment of the current state of the NZRB’s business is required. In NZTR’s view, this assessment needs to be in two stages:

An immediate short-term cost review to identify what activities and costs can be immediately removed from the NZRB business as part of the transition into WNZ; and

A review of the whole NZRB business, including a stress-test of the organisation’s current trajectory, to provide a realistic baseline for outsourcing negotiations.
These reviews need to be commissioned externally and have their terms of reference set by RITA in consultation with the Codes, independently of the current NZRB Board and management team. It is important that these assessments are ‘warts-and-all’ so that realistic plans can be made.

These assessments are urgent and need to start as soon as possible. For the reasons set out above, NZTR doubts that these reviews can be formally characterised as performance and efficiency audits, but they are nevertheless essential.

Harness Racing New Zealand
Not supported. Given proposed restructuring of the industry bodies, the need and value in doing this review is questionable.

Greyhound Racing New Zealand
SUPPORTS

While there is a reasonable view that this body will be altered or replaced in due course, GRNZ believes that there is value to be found in completing a cost review ahead of undertaking substantial industry change, and that the law governing the NZRB should be observed as it currently stands.

The committee’s final position on Recommendation 4
The committee strongly supports this recommendation. The information the audit produces will assist in evaluating whether all or some of the commercial activities of TAB NZ are outsourced or not (Recommendation 7, page 66). It will also provide RITA with baseline information in considering the establishment and operations of TAB NZ and devolution of some of its racing functions to the three racing codes (Recommendation 1, page 32).

The NZRB’s 5-yearly performance and efficiency audit, conducted under Section 14 of the Racing Act 2003 is due this year (2019). After careful consideration by the committee, and approval from the Minister, the NZRB is progressing this audit with a particular focus on the NZRB’s operating costs.

The audit will be conducted during May–July by Grant Thornton, with the report due to RITA and the Minister by the end of July 2019.

The audit will cover these things.

1. Operating cost structure and efficiency/effectiveness against comparative industry peer groups including racing (covering international benchmarks).

   The financial position of the current commercial activities of the NZRB, and the roles, functions and responsibilities identified as devolving from the NZRB to the three racing codes and/or Racing NZ (if required).

2. NZRB’s statutory obligations under Section 14 of the Racing Act 2003, with a summary report on key findings and recommendations.

In determining the performance and efficiency of the NZRB’s board of directors, the person undertaking the review will take into account:
the extent to which the board has established objectives for the performance of its functions

- the nature of those objectives

- the progress the board is making towards achieving those objectives

- the extent to which the board has put in place policies and strategies to use its resources effectively and efficiently for the purpose of achieving those objectives

- the nature of those policies and strategies, and the manner in which they were put in place, and

- any other matters determined by the board.

Actions completed to progress Recommendation 4

- Advised the NZRB to progress the Section 14 Performance and Efficiency Audit according to the statutory requirements, with a particular focus on the operating costs of the NZRB

- Agreed to the appointment of independent advisors Grant Thornton to carry out the work.

The action the committee recommends to the Minister for Recommendation 4

The committee requires no action from the Minister at this time.

The proposed on-going work plan for RITA’s consideration — Recommendation 4

**Recommendation 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

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<tr>
<th>Actions plan</th>
<th>By</th>
<th>Include in Bill number</th>
<th>Revenue impact</th>
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</thead>
<tbody>
<tr>
<td>The Minister and RITA to receive the written audit report covering all aspects of the audit scope and key outcomes, with key findings and recommendations.</td>
<td>31 July 2019</td>
<td></td>
<td>Ensures new entity is designed to be fit for purpose.</td>
</tr>
<tr>
<td>Draw upon the information in the audit report to assist in evaluating whether all or some of the commercial activities of TAB NZ are outsourced or not; evaluating the performance of the general operations of TAB NZ, and considering what racing functions to devolve to the codes.</td>
<td>Over transition period – 2020 calendar year</td>
<td></td>
<td></td>
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</tbody>
</table>
Recommendation 7 of Messara Report

Investigate outsourcing of the NZRB’s commercial activities to an international betting operator

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

Cross-referenced in Part 2 – Recommendation 1 (page 42 of the Messara Report)

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 selected outsourced operator.

The committee considers that the potential to outsource, or not, all or some of the commercial activities of TAB NZ needs more analysis. We set up a sub-committee, the Racing Industry Outsourcing Evaluation Committee (RIOEC), to do this.

Submissions received on Recommendation 7

The following represent an overview, summary or extract from the relevant key stakeholder submissions on the Messara Report. They are not intended to be a full record of any individual submission or collection of submissions received. Read submissions at www.dia.govt.nz.

New Zealand Racing Board
The Board opposes the recommendation to unilaterally proceed with outsourcing without clear evidence this will create significant long-term value for New Zealand racing.

New Zealand Thoroughbred Racing
NZTR strongly supports the outsourcing of WNZ’s operational activities on the basis that this will deliver a significantly enhanced financial return to the status quo.

The outsourcing negotiations must be supervised by a group representing the three codes and their interests and final agreements must have the endorsement of each Code to the extent that they affect that Code’s rights and interests.

Harness Racing New Zealand
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 review this (Project Desert Gold).
**Greyhound Racing New Zealand**

Supports in Principle

GRNZ believes that the possible outsourcing of the TAB’s wagering business should be investigated. However, we note that this is effectively going to permanently denude the Racing Industry of a domestic wagering capability and that this requires careful assessment. It is not prudent to determine the outcome without full and proper analysis.

To that end GRNZ recommends:

1. That such contracting out be voluntary, rather than mandatory – this would protect the negotiation position if nothing else;
2. That the consideration of outsourcing includes corporatizing and limited share sales;
3. That the final decision on outsourcing include an assessment as against the current NZRB SOI returns prediction;
4. That the Codes be involved in the final decision-making with respect to outsourcing.

**Other submitters**

A number of submitters urged caution with outsourcing negotiations, due to the significance of any decision made. Submitters suggested that a comprehensive analysis of potential benefits for the racing industry must proceed, before any final decision is made on outsourcing. Other concerns raised included:

- The inability to reverse the decision at a later date
- The potential loss of control regarding race schedules and a reduction in the quality of coverage
- Sporting organisations raised concerns they may lose the strong relationship they have developed with the NZRB.

**The committee’s final position on Recommendation 7**

The committee considered that the potential to outsource, or not, all or some of the commercial activities of TAB NZ needed more analysis. We set up a sub-committee, the Racing Industry Outsourcing Evaluation Committee (RIOEC), to do this.

*The sub-committee will continue to evaluate the outsourcing option*

The RIOEC will consider and analyse the options for outsourcing in more depth. RIOEC will also consider what the best option is for testing the market, whether through a closed or open bid process. An in-depth comparison between outsourcing options and potential domestic solutions, which takes into account the NZRB’s current growth strategies, will help to ensure that the process is competitive. The goal is to determine the best solution to deliver significant growth in revenue over the long term for the New Zealand racing industry, Sport NZ and national sporting organisations.
Key people form the RIOEC membership
RIOEC members include the chair of the Ministerial Advisory Committee, who also chairs the RIOEC, and previous Desert Gold Project group representatives. (The Desert Gold Project was an industry project to investigate outsourcing prior to the appointment of the Ministerial Advisory Committee.)

It is likely the RIOEC will consult and work with John Messara at the appropriate time. He will be the main external expert to assist with the bid process, in particular overseeing the interface between the RIOEC and those who have made a bid, if this goes ahead.

RIOEC considered broadcasting and gaming
RIOEC has concluded that the NZRB’s broadcasting operation could be considered for outsourcing, but the gaming operation should be retained by TAB NZ. Work continues on determining the optimum structure for the gaming operation.

This recommendation requires careful consideration and adequate time to implement
Outsourcing the commercial activities of the NZRB would have a long-lasting impact on the racing industry and sporting organisation in New Zealand.

It is obviously crucial that this recommendation has careful consideration and adequate time to deliver the best outcome. While racing industry submissions were not opposed to outsourcing, they made it very clear they wanted to make sure an effective process is followed and that protections are in place. The committee suggests the process may take 12–18 months and will need to be robust and transparent.

The committee raised new questions for consideration and read recent published analysis
The committee discussed various scenarios and implications, and raised important questions for the next stage of analysis. Questions raised included these.

- Would the Minister decide when and how to outsource, or should the racing industry be given the ability to make that decision?
- With offshore betting operators being focused on online products and services, what would be the future for the domestic TAB retail network (which includes the current class 4 gaming operation), Phonebet services and on-course services, in an outsourced model?
- Strong controls and clauses would need to be included in any potential outsourcing agreement to protect the revenue streams and integrity functions of the New Zealand racing industry and sport over the long term. Such controls must include:
  - a commitment to maintaining the importance and relevance of New Zealand racing in the domestic and Australian marketplace
  - targeted marketing strategies to attract more Australian customers to bet on New Zealand races and sporting events
  - allocation of a prime position in the Australian race clock scheduling, including adequate lead-in times
  - a commitment to deliver strong and sustainable revenue growth
  - access to the international marketplace on the back of the international presence of the offshore betting operator selected as the outsource partner
a commitment for the continued provision of the on-course tote operation, Racing Integrity Unit vision services, and other services where applicable.

What the RIEOC has to protect against, at all costs, is some future ‘shock’ or ‘event’ not clearly covered in the outsourcing agreement, or the non-performance of the outsourcing partner, which would result in the New Zealand racing industry being left with little control over its destiny and a declining revenue base for both racing and sports.

The RIOEC provided information to the committee to suggest the best way forward
The RIOEC has provided a collection of information to the committee. This included an initial view of:

- a strategy for taking the NZRB’s commercial activities to market (including specifications of external due diligence on the outsourcing options)
- fiscal implications, risks and benefits
- ownership and assignment of intellectual property (see Recommendation 9, page 78).

The Messara Report recommends full operational outsourcing of the NZRB’s commercial activities to international operators. According to the report, outsourcing would increase funding to the racing industry, enable TAB NZ to provide a competitive product suite for customers to match global offerings, and gain the benefits of scale across the TAB NZ operations.

Legislation is needed in advance, in case outsourcing is recommended
The committee agrees that any legislation will require criteria to be met before outsourcing can occur. The framework for criteria could possibly be regulatory rather than set out in primary legislation.

The Department of Internal Affairs will need to prepare the legislative framework for Bill No. 2 to make provision for outsourcing if it is chosen as the best option.

Preparation of the legislation does not mean a decision to outsource has already been made.

Some protections within legislation would be necessary, particularly for environmental and social impacts (such as problem gambling).

The department and RITA will need to liaise regularly during commercial negotiations to make sure the legislative framework mirrors the likely commercial and structural outcome.

As much as possible, any commercial arrangements should be handled in commercial agreements or in the regulations, rather than the Racing Act itself.

The Racing Reform Bill (Bill No. 1), coming into effect from 1 July 2019, has established the legislative framework for the governance and form of RITA, enabling it to take any necessary decisions during the transition period.

Two key components have been identified that could influence value, and will heavily influence whether the process to investigate outsourcing should proceed or not. These are the provision of statutory protection by the Government and the exclusivity of intellectual property. Should the Government be willing to provide these undertakings, these could be provided for in Bill No. 2.
The action the committee recommends to the Minister for Recommendation 7 approve the drafting of legislation (Bill No. 2) to:

- make legislative provision for outsourcing the NZRB’s commercial activities, or providing for variations on this proposal
- allow for TAB NZ to have the exclusive right to use all intellectual property generated domestically by the racing industry to maximise revenue for the racing industry (Recommendation 9, page 78).

The committee also seeks direction from the Minister on the Government’s position regarding the provision of measures for statutory protection.

The proposed on-going work plan for RITA’s consideration — Recommendation 7

**Recommendation 7:**

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

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<th>Actions plan</th>
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<th>Revenue impact</th>
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<tr>
<td>Continue monthly Racing Industry Outsourcing Evaluation Committee (RIOEC) meetings.</td>
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<td>Focusing on the commercial activities of TAB NZ will drive revenue growth.</td>
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<tr>
<td>Receive feedback from the Government on its position regarding measures for statutory protection.</td>
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<td>Receive S14 audit information and resulting analysis.</td>
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<td>Review information on scope and timing of work to be done by RIOEC or external due diligence consultant.</td>
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<td>Draft legislative framework for:</td>
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<td>In line with Bill No. 2</td>
<td>Bill No. 2 timeline</td>
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<tr>
<td>• legislative provision for outsourcing the NZRB’s commercial activities, or providing for variations on this proposal</td>
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In line with Bill No. 2 timeline
Recommendation 8 of Messara Report
Seek approval for a suite of new betting products to increase funding for the industry

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

Also, cross-referenced in sub-recommendation 2 on page 42 of the Messara Report — Seek the approval for the NZRB (Wagering NZ/TAB NZ) to:

- conduct virtual racing games
- remove legal restrictions in Section 33(3) of the Gambling Act that prevent the NZRB (Wagering NZ/TAB NZ) from acquiring class 4 gaming licence venues
- conduct in-the-race betting
- conduct betting on sports where there is no agreement with a national sports organisation.

The committee strongly supports this recommendation.

Submissions received on Recommendation 8

The following represent an overview, summary or extract from the relevant key stakeholder submissions on the Messara Report. They are not intended to be a full record of any individual submission or collection of submissions received. Read submissions at www.dia.govt.nz.

**New Zealand Racing Board**

The rise of the internet and online gambling has meant the concept of the terrestrial wagering monopoly will continue losing its efficacy if the Board (NZRB/Wagering NZ) is not permitted to adapt its product diversity to attract and retain customers in an increasingly competitive environment.

The previous Government consulted with the public on allowing the Board (NZRB/Wagering NZ) to provide more betting products. This included:

**In-race betting**

- Betting once a race has jumped. This is currently prohibited under law for racing, although in play betting for sport is permitted.

**The Board supports a change in the law to allow in-race betting.**

**Conduct betting on sports where there is no agreement with a National Sporting Organisation (NSO) (or where no NSO exists) and novelty betting**

Allowing the Board (NZRB/Wagering NZ) to offer betting on sports where there is no agreement with an (NSO) (or where no NSO exists). This has created scenarios where the Board couldn’t offer bets on popular international sports (like Mixed Martial Arts) if there was a small domestic presence and no NSO. Currently this scenario is materialising once again with the growth in e-sports.
Allowing the Board to offer novelty betting i.e. on Royal baby names etc. while not a major potential revenue earner, novelty betting has strong marketing potential in attracting new customers. Furthermore, the absence of novelty betting in NZ is likely to be one contributor to why NZ’s choose to gamble offshore where these products are legally available.

The Board supports a change in the law to allow betting on sports where there is no agreement with an NSO (or where no NSO exists) and the introduction of novelty betting

Conduct Virtual Racing Games

The Board supports being able to conduct Virtual Racing Games. The Board also submitted to Mr Messara that the TAB be legally able to offer virtual racing products. Virtual racing is a computer simulation of an actual horse (or Greyhound) race. Although it creates the appearance of an actual race, it is a fixed odds betting system in which the outcome is determined on the basis of random numbers generated by a computer system. Customers bet on the race as though it were real.

The Board supports a change in the law to allow the Board to conduct virtual racing games and virtual racing products

Remove Legal restrictions in Section 33(3) of the Gambling Act that prevents the NZRB (Wagering NZ) from acquiring class 4 gaming licence venues

The Board Conducts Class 4 gaming at 44 TAB venues across the country which represents approximately three percent of the total number of gaming machines in NZ.

In FY18 total Board Class 4 turnover amounted to $346.3m, with $24.8m in net gaming revenue available to support racing and sporting communities.

Proceeds distributed to racing’s ‘authorised purpose’ underpin some of the most fundamental components of the racing industry, such as integrity functions. Specifically, Class 4 proceeds are used to fund 90% of the JCA, the RIU and the Racing Laboratory. The integrity and reputation of the Board’s wagering business is paramount, and these organisations support the Government’s appropriate requirement that gambling in NZ should come from trusted providers, and have adequate protections for the customer.

The Board has also made available $4.77m over three years from Class 4 proceeds into three enhancement funds to support stakes, youth and racing infrastructure.

The integrity of the Board’s Class 4 gaming operations are a major focus for the organisation. The Board’s Class 4 operations differ from other Class 4 operators in several respects:

1. Class 4 gaming is only conducted in a venue the Board own or lease, and that is used mainly for racing and sports betting i.e. a TAB Board venue;
2. No alcohol is available in a TAB venue, which helps to minimise gambling harm;
3. All staff receive specialist training on how to minimise gambling harm within venues;
4. No ATMs are available within the venues;
5. Board operating hours are modest compared to other operators’ venues.
Further Commentary from the NZRB

On 21 October 2015, then Internal Affairs Minister, Hon Peter Dunne inserted clause 33(3) into the Gambling Act which was done with no consultation with the Board as to its impact on the Board’s Class 4 gaming operation.

The effect of the amendment is that the Board is now prevented from acquiring any Class 4 venue licence where that licence is held by, or was held by (in the previous 5 years) another corporate society. While the Board is not prohibited from applying for ‘new’ venue licences, most Territorial Authorities have ‘sinking lid’ policies meaning the Board is significantly hindered in their ability to acquire any additional Class 4 venue licences.

The Board is the only corporate society that has been explicitly singled out in this way despite the fact that, as mentioned above the Board only operates around three percent of the (gaming machines in the) Class 4 sector in NZ and does so with integrity around gambling harm.

The removal of this legal block would allow the Board to grow its Class 4 operation conservatively, and in line with growth in the racing industry. Conservative growth in line with the racing industry can be ensured by virtue of the fact that the operation of Class 4 gaming must be the secondary activity at any Board venue (with the primary purpose being conducting of racing and sports betting). Accordingly, commentary from some sectors that the NZRB could ‘take over’ the Class 4 sector are baseless.

The Board supports the removal of the legal restrictions in Section 33 (3) of the Gambling Act that prevent the NZRB (Wagering NZ) from acquiring Class 4 gaming venue licence venues.

New Zealand Thoroughbred Racing

NZTR supports the proposed loosening of restrictions on WNZ’s wagering activities, on the basis that the scale of WNZ’s investment into these areas would be subject to Code approval as part of the relationship between WNZ and the Codes.

Harness Racing New Zealand

HRNZ agreed with the recommendation around the introduction of virtual racing games and removal of restrictions associated with section 33(3) of the Gambling Act.

HRNZ has some reservations in relation to in-race betting as it could be counter-productive to overall turnover and the gross betting margin (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.

HRNZ agree with being able to bet on sport whether an NSO exists or not and if changes are 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.

Greyhound Racing New Zealand

Supports the recommendations
GRNZ believes that this is a reasonable action on behalf of the NZ betting participants and that this would increase the scope of wagering behaviours that could fall within our domestic harm programmes.

Many of these activities are already available to NZ's through the internet and this provides a safer environment for the activity that also provides a return to the NZ Racing Industry.

Sport New Zealand
Sport NZ disagrees with this recommendation in relation to removing restrictions under S33 (3) of the Gambling Act

Comment
Currently Section 33(3) of the Gambling Act prevents the NZRB from obtaining a licence for premises from another current Class 4 operator or for premises that were previously licensed within the last five years by another Class 4 operator. The intent of this was to avoid the NZRB using its competitive advantage to attract premises away from other operators.

Class 4 operators are required to distribute at 40% of their net proceeds (profits less venue payments, operator costs and Government levies) to authorised purposes – community good initiatives. This equated to $290m in 2016/17. Community level sport and recreation receive close to 50% of these funds, and is highly reliant on it.

The NZRB is not required by legislation to return any funding from its Class 4 operations to the broader community and can distribute all proceeds back to racing. It currently chooses to return up to 20% of its revenue from Class 4 (operations) to community sport and recreation. This equated to $3.2m in 2017 (compared to $11.5m distributed to racing).

Sport NZ believes sport and recreation has a positive impact on a far broader range of New Zealanders than racing. Nine out of 10 young people participate in sport and recreation, as do three out of four adults. Considerably fewer NZ’s are involved in the racing industry.

Engagement in sport and recreation also contributes to the mental and physical health of NZ’s and brings communities together.

Sport NZ considers the removal of the current restriction would result in a transfer of funds from contestable community good projects, including sport and recreation initiatives, to racing should the number of NZRB venues increase.

Other submitters
Strong support was given for the TAB to have the right to bet on a suite of new wagering products, other than opposition from the Problem Gambling Foundation.

Opposition to changes to Class 4 gambling
While there was strong opposition to removing the legal restrictions in section 33(3) of the Gambling Act that currently prevent the NZRB (Wagering NZ) from acquiring Class 4 gaming licence venues, they were very much templated responses from the sporting and community sectors.
Key themes raised by submitters included:
The difficulties in fundraising and the importance of Class 4 funding (from other corporate societies) with the prime concern being the recommendation will result in less funding for their organisations and clubs.

Moral objections to funds generated from gambling and ‘pokie machines’, as one submitter described ‘I think it is important that communities receive the funding so good can come from something that can be so destructive within families. I believe it is unfair to give funding to one particular group that actually encourages this.’

The benefit provided to communities through funding recipient charities and sports clubs cannot be underestimated, particularly in regards to health, mental health and well-being.

One submitter stated ‘with demand for social services in our communities at significant levels, reducing community funding to redirect it to the racing industry would be at odds with the government’s stated position on improving NZ’s health and well-being.

Opposition to changes for NSOs
There was also strong opposition to remove the requirement for NSOs to allow gambling on their sport

The majority of those opposing this change were from sports organisations, concerned with losing their ability to ‘exercise any philosophical or moral opposition’ to gambling. Concerns were also raised about betting on competitions when athletes may not have received sufficient anti-corruption education, or understanding of their legal responsibilities. The sporting organisations stressed they must maintain the integrity of their sport, and this would be undermined if the requirement for an NSO (agreement) was removed.

The committee’s final position on Recommendation 8
The committee strongly supports this recommendation.

The committee considers legislation should be changed as soon as possible to allow a wider range of bet types and betting (betting on racing and sports events) and gaming products. This would help grow TAB NZ’s income and customer base, and allow TAB NZ to be truly internationally competitive by being able to offer the same range of betting products as offshore betting operators.

Support for new betting products
The committee strongly supports the approval of new bet types including betting exchange, spread betting and new betting products, including virtual racing, removing restrictions that prevent TAB NZ from acquiring new class 4 gaming venues, and betting on offshore sporting events without the need to obtain agreement from NSOs.

Opposition to the removal of restrictions imposed by S33(3) of the Gambling Act
Many templated submissions on the Messara Report raised concerns about removing restrictions imposed under S33(3) of the Gambling Act. Removing restrictions would allow the NZRB to increase the number of class 4 gaming outlets the NZRB operates on behalf of the racing industry, which in turn will also benefit numerous sporting organisations and clubs that benefit from funding grants from the NZRB gaming operation.
**Level the playing field, but limit the NZRB’s gaming market share**

The NZRB gaming operation is only 3% of the gaming machine market and is secondary to its core commercial activities.

Repealing Section 33(3) of the Gambling Act to remove the restriction on the NZRB acquiring new class 4 gaming outlets would level the playing field for the NZRB compared to the other corporate gaming societies. The removal would end the NZRB’s disadvantage. Singling out the NZRB with Section 33(3) appears to have had no justification. The NZRB has been penalised by not being able to grow its gaming business responsibly and conservatively.

If the restriction is removed, the NZRB could be required to limit the number of class 4 gaming machines it operates to, say, 10–15% of the total number of class 4 gaming machines that operate in the country. The NZRB’s current percentage is 3%.

This increase would be in line with the NZRB’s strategy to grow its class 4 gaming conservatively. This rate of growth is assured because class 4 gaming is the secondary activity to the core commercial activities of the NZRB. The market share of machines may have to be increased over time, as the total number of machines nationwide continues to decline under local councils’ ‘sinking lid’ policies.

It should be noted that the majority of corporate gaming societies no longer grant money to racing clubs, so these funds are now available to other community and sporting organisations, thereby largely offsetting concerns raised in some submissions.

**Actions completed to progress Recommendation 8**

- The committee has progressed policy and legislative requirements with officials from the Department of Internal Affairs.
- Racing Reform Bill (Bill No. 1), coming into effect from 1 July 2019, allows for conducting betting on sports where there is no national sporting organisation, with the agreement of Sport NZ.
- The Bill provides for funding to be retained by RITA from the betting levy to assist in carrying out its duties in relation to harm prevention and minimisation in relation to racing and sports betting. Alongside work on class 4 gaming, RITA should use a proportion of this earmarked funding to review the existing strategy that sets out its overall approach to harm minimisation and ensure best use is made of the funding.

**The action the committee recommends to the Minister for Recommendation 8**

Approve the drafting of legislation (Bill No. 2) to:

- allow for a mechanism to allow TAB NZ to operate new bet types, such as a betting exchange and spread betting, and new betting products such as in-race betting on the outcome of races, virtual racing, novelty and fantasy betting, and betting on e-sports, with an appropriate approval process
- amend Section 33(3) of the Gambling Act to ensure the NZRB can operate on a level playing field in the class 4 gaming marketplace
- amend Section 55 of the Racing Act 2003 to enable TAB NZ to offer betting on all overseas sporting events.
The proposed on-going work plan for RITA’s consideration —
Recommendation 8

**Recommendation 8:**
Seek approval for a suite of new wagering products to increase funding for the industry

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<tr>
<td>Draft legislative framework to include bet types and new betting and gaming products to:</td>
<td>In line with Bill No. 2 timeline</td>
<td>Bill No. 2 (establish approval process for new betting and gaming products)</td>
<td>Will help grow the industry’s revenue and customer base, and for TAB NZ to be truly internationally competitive by being able to offer the same range of betting and gaming products as offshore operators.</td>
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Review the existing strategy that sets out its overall approach to harm minimisation and to ensure best use is made of the funding set aside from the (former) betting levy.
Recommendation 9 of Messara Report

Confirm the assignment of intellectual property by the clubs to the codes

Confirm the assignment of Intellectual Property (IP) by the Clubs to the Codes

Also, cross-referenced in Part 2 — Recommendation 3, page 42 of the Messara Report

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

The committee supports this recommendation. It will enable the three racing codes to maximise the revenue from assignment of the intellectual property (IP) over their race field information and broadcast rights to TAB NZ.

Submissions received on Recommendation 9

The following represent an overview, summary or extract from the relevant key stakeholder submissions on the Messara Report. They are not intended to be a full record of any individual submission or collection of submissions received. Read submissions at www.dia.govt.nz.

New Zealand Racing Board
The NZRB supports this recommendation on the basis Wagering NZ receives access to IP which it needs to maintain its broadcasting function and continue to invest in that part of the business

In so far as this recommendation references outsourcing, the Board opposes the recommendation to proceed with outsourcing without clear evidence this will create significant long-term value for the NZ racing industry.

New Zealand Thoroughbred Racing
NZTR strongly supports the assignment of racing intellectual property and rights from the clubs to NZTR, but seeks further clarity on how this would be accomplished (i.e. by statutory mandate, or by way of funding agreements between NZTR and the Clubs), as this is essential for the success of the thoroughbred sector.

Harness Racing New Zealand
Agreed. Provides for consistent approach to Australia in terms of negotiation with broadcasters.

Greyhound Racing New Zealand
Opposes in Principle

GRNZ believes that — at least for the purposes of maximising domestic racing wagering in Australia — a granting of non-exclusive rights in the Codes is preferable.

This would follow current practice and assume that IP Rights are vested in the NZRB/Wagering NZ. This allows for the NZRB/Wagering NZ to maximise the total bundle of racing product and rights (and thus value) for the industry as a whole.
Other submitters
General support for the assignment of IP from the clubs to the three racing codes. There was some comment especially around clubs needing to be involved in any decision regarding IP.

The committee’s final position on Recommendation 9
The committee supports this recommendation. It will enable the three racing codes to maximise the revenue from assignment of the intellectual property (IP) over their race field information and broadcast rights to TAB NZ.

There has been longstanding debate over who owns the race field information and broadcast rights. This must be resolved so that TAB NZ has access to both the race field information and the broadcast rights to maximise revenue from its commercial activities on behalf of the racing industry. The IP debate needs to be resolved whether the TAB NZ commercial activities are outsourced or not.

The Racing Industry Outsourcing Evaluation Committee will resolve the IP ownership disagreement
The committee has set up the Racing Industry Outsourcing Evaluation Committee (RIOEC) to analyse options for outsourcing the commercial activities of the NZRB. Clarifying IP ownership is part of its remit.

The RIOEC will resolve the issues of IP ownership and assignment, so the industry can optimise the value of race field information and broadcast rights, and assignment of those rights.

If the IP for race field information and broadcasting rights were in the hands of the three racing codes, they could enter into commercial agreements with the betting operator for the betting and broadcast coverage of race meetings. This would then enable TAB NZ to maximise the betting on these race meetings for the benefit of each racing code.

Racing clubs’ IP is:
- information about a race — the start time, the field, each horse’s/dog’s name, trainer, jockey/driver, ownership, breeding, form, and so on
- the broadcast rights to the race.

Most thoroughbred clubs have assigned the club IP to NZTR
NZTR has begun to move on the matter of IP. The committee understands that NZTR has agreements with most, but not all, thoroughbred clubs that assign the club’s IP to NZTR. The two other codes could follow NZTR’s process and template.

IP over race field information and broadcast rights is an essential element of maximising the revenue streams to the racing industry. Without race field information and the broadcast rights, there can be no betting. Legislation and/or regulation may be required as part of Bill No. 2 to ensure that all clubs assign their IP to the codes, and the codes assign that IP to the domestic betting operator, and to offshore betting operators where agreements exist.

NZRB and New Zealand Thoroughbred Racing disagree over IP ownership
The generally held view is that the clubs own the IP for their races.
However, the NZRB disagrees that NZTR owns the IP for thoroughbred races, even though most of the thoroughbred clubs have assigned their race field information and broadcast rights to NZTR.

The NZRB considers it owns all clubs’ IP, through the betting licences that it issues for each race meeting.

NZTR and NZRB have been in talks about IP ownership, but had paused the discussions to await the outcome of the committee’s work on the Messara Report.

Actions completed to progress Recommendation 9
- The committee has had presentations from the three racing codes on what each has done to secure IP from the clubs.
- The committee included resolving Recommendation 9 in the terms of reference for the RIOEC.
- The RIOEC has provided information on which there is conditional agreement for the treatment of IP.
- This position is being further investigated by the Industry Future Venue Plan Group through a process of club registration. The club would assign its IP to its code, and the code would grant exclusivity to the domestic betting operator for domestic use and, where agreements are in place, to offshore betting operators.

The action the committee recommends to the Minister
If agreement can’t be reached between the domestic betting operator and the three racing codes for the assignment of IP, the Minister may be required to approve the drafting of legislation (Bill No. 2) to allow for the domestic betting operator to have the exclusive right to use all intellectual property generated domestically, to maximise revenue for the racing industry.
The proposed on-going work plan for RITA’s consideration — Recommendation 9

**Confirm the assignment of intellectual property by the clubs to the codes**

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<td>Clarity on IP allows TAB NZ to maximise commercial activities.</td>
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<td>Review information on what IP exclusivity means to each code.</td>
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<tr>
<td>Review resolution of intellectual property (IP) by the Industry Future Venue Group through a process of club registration.</td>
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<td>Draft legislative framework to allow for: To have the exclusive right to use all IP generated domestically to maximise revenue for the racing industry, if required.</td>
<td>In line with Bill No. 2 timeline</td>
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Consolidating venues

*Recommendation 12*
Legislate to vest club assets to code regulatory bodies

*Recommendation 13*
Reduce the number of venues

*Recommendation 14*
Upgrade facilities and tracks of remaining venues with funds from closed venues

*Recommendation 15*
Construct three synthetic tracks
Recommendation 12 of Messara Report
Legislate to vest club assets to code regulatory bodies

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

Also, cross-referenced in Part 3:
Recommendation 3 (page 73 of the Messara Report)
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.

Recommendation 5 (page 74 of the Messara Report)
To allow for recommendation 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 to hold any race meetings at a venue, to then take possession of the Race Club 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 of the closed venues is sold.

The committee understands and supports the principle behind this recommendation to redistribute underperforming or surplus industry assets to fund infrastructure investment at the remaining venues. But we do not believe vesting of club assets to the code is necessarily the right vehicle to achieve the outcome this recommendation is trying to achieve.

A key goal of the committee is to provide the racing industry a clear pathway to resolve potential disputes over the future use of a venue and any sale proceeds (if the venue were to be sold), where the industry-owned venue is no longer required for racing.

Submissions received on Recommendation 12
The following represent an overview, summary or extract from the relevant key stakeholder submissions on the Messara Report. They are not intended to be a full record of any individual submission or collection of submissions received. Read submissions at www.dia.govt.nz.

New Zealand Racing Board (abridged comments)
The NZRB does not support this recommendation 12.

The legal ownership status of each racing venue is incredibly varied – e.g. some are fee simple, some are reserve land and some are dual-code ownership.

Legally centralising ownership of venues will not only prove controversial with local communities, but would also be a large and technical programme of work that will stall any progress on achieving the right mix of venues.
New Zealand Thoroughbred Racing (abridged comments)
NZTR considers this recommendation requires further work before it could be supported.

On its face, the transfer of all club land and assets to NZTR is disproportionate and unjustified when measured against what the sector needs to succeed. NZTR’s view is that in general clubs are the appropriate stewards of their land while racing continues at that venue.

Along with other measures NZTR needs to be able to ensure that, when use of a venue ceases, any proceeds from any sale of that venue may be applied in the wider interests of thoroughbred racing, following consultation with affected parties including community groups.

Harness Racing New Zealand
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.

Greyhound Racing New Zealand
GRNZ believes that this is a genuine and good faith attempt to respond to poorly placed capital and infrastructure holdings in the Racing Industry ecosystem.

However, GRNZ believes that this process will likely create resentment and legal challenge.

Other submitters (abridged comment)
Out of 105 submissions, 69 submissions opposed the recommendation outright. Thirteen supported the recommendation. Those in support focused on the importance of this recommendation for the revitalisation of the industry, and the need to look at the wider industry rather than individual clubs.

Submissions received on Part 3, Recommendation 3
The following represent an overview, summary or extract from the relevant key stakeholder submissions on the Messara Report. They are not intended to be a full record of any individual submission or collection of submissions received. Read submissions at www.dia.govt.nz.

New Zealand Racing Board
The Board supports in part this recommendation, as any decisions need to be made in consultation with Clubs and their local communities.

New Zealand Thoroughbred Racing
NZTR consider that, once the position in relation to venues and the proceeds from their potential closure is clarified, it will be in a position to consult with clubs on the work programme put forward by Mr Messara, with a view to finalising a programme of works and potentially establishing a Future (investment) Fund to support ongoing investment and maintenance.

Harness Racing New Zealand
Thoroughbred issue. Impact however on joint thoroughbred/harness venues would need to be considered when determining options in this area.
**Greyhound Racing New Zealand**
GRNZ supports in principle

Subject to its views on recommendation 5, GRNZ believes that this is primarily a thoroughbred issue and wishes to support our fellow Code in this matter.

**Other submitters**
53 submissions were received on this recommendation with feedback on this recommendation also relating to their views on recommendation 12 and 13 in the executive summary section of the Messara Report.

There were submissions supporting outright the recommendation to upgrade the remaining venues with funds generated from venue closures.

Submissions received on Part 3, Recommendation 5
The following represent an overview, summary or extract from the relevant key stakeholder submissions on the Messara Report. They are not intended to be a full record of any individual submission or collection of submissions received. Read submissions at [www.dia.govt.nz](http://www.dia.govt.nz).

**New Zealand Racing Board**
The Board does not support this recommendation

The Board agrees there are too many racing venues in NZ, however centralising ownership of venues is not an appropriate mechanism for giving effect to a smaller industry venue footprint.

The legal ownership status of each racing venue is incredibly varied – for example, some venues are fee simple (freehold title), some are (racecourse) reserve land, some have dual code ownership etc.

Legally centralising ownership of venues will not only prove controversial with local communities, but would also be a large and technical programme of work that will stall any progress on achieving the right mix of venues.

The Board believes the best mechanism for giving effect to a smaller industry venue footprint is to indicate the removal of betting licences after consulting with the industry.

Once a club has received the indication, they will no longer have a betting licence from a certain date, the Board and Code will work with them to help realise their assets and move their race meetings to another venue. While removing the betting licence sets a clear direction, ultimately any decision to sell the venue is the Club’s. Making decisions with Clubs, and not to Clubs, will provide the most equitable outcome.

**New Zealand Thoroughbred Racing**
NZTR did not provide a specific submission on this recommendation, but they did note in relation to Recommendation 12 that it requires further work.
NZTR considers that recommendation (12) requires further work before it could be supported. On its face, the transfer of all club land and assets to NZTR is disproportionate and unjustified when measured against what the sector requires to succeed. NZTR’s view is that in general, clubs are the appropriate stewards of their land while racing continues at that venue.

NZTR agrees that the current structures relating to asset allocation in the thoroughbred sector are not fit for purpose, do not recognise the historical investment that thoroughbred racing as a whole has made in individual venues, and have acted as a handbrake on a national venue strategy.

In NZTR’s view, any new relationship between NZTR, Clubs and venues needs to satisfy the following criteria:

NZTR needs to be able to have input into club business plans and supervise racing activities;
NZTR needs to be able to determine, after consulting and following appropriate process, when continuing to race at a particular venue is no longer in the best interests of the industry and terminate its use;
NZTR needs to be able to ensure that, when use of a venue ceases, any proceeds from any sale of the venue may be applied in the wider interests of thoroughbred racing, following consultation with affected parties including community groups.

NZTR agrees that the proposal to vest club land and assets in NZTR would satisfy these criteria.

However, NZTR is concerned that the proposals go further than what is required to meet those goals, and that universal land transfer is a blunt instrument which does not recognise that some venues are important community assets.

NZTR is open to further discussions with the Minister or Department on how that mechanism could be designed.

Harness Racing New Zealand
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 (other) recommendations in the report. Vesting of Racecourse Reserves in the industry via the local clubs is supported by HRNZ.

Greyhound Racing New Zealand
GRNZ opposes

GRNZ believes that it is a genuine and good faith attempt to respond to poorly placed capital and infrastructure holdings in the Racing Industry ecosystem.

However, GRNZ believes that this process will likely create resentment and legal challenge. Further, we recommend that the NZRB be tasked with moving forward on the industry wide Future Venue Plan undertaking.

This is designed to deliver the same outcomes for the industry but allows for consultation and debate, which will more likely generate the hoped outcomes.
Other submitters
Of the 105 submissions received on this recommendation, 13 submissions supported outright the transfer of Race Club property and assets to the Code bodies. A further 15 submissions appeared to provide qualified support. And 69 submissions opposed the recommendation outright.

Those in support focused on the importance of this recommendation for the revitalisation of the industry, and the need to look at the wider industry rather than individual clubs.

A common theme throughout the opposing arguments was that Clubs must be able to decide what to do with their assets if their course was to close, and if any sale occurred, the proceeds should benefit the community.

The committee’s final position on Recommendation 12
The committee understands and supports the principle behind this recommendation to redistribute underperforming or surplus industry assets to fund infrastructure investment at the remaining venues. However, we do not believe vesting of club assets to the code is the right vehicle to deliver the outcome this recommendation is trying to achieve.

A key goal of the committee is to provide the racing industry a clear pathway to resolve potential disputes over the future use of a venue and any sale proceeds (if the venue were to be sold), where the venue is no longer required for racing.

The committee recommends that RITA continues to work with the Industry Future Venue Plan Group to develop a transparent process to follow and criteria to meet before any action is taken to place a club into administration.

Under this process, only clubs that did not meet the agreed criteria, or engage in good faith in the process after all the appropriate consultation and processes had been followed, would be placed into administration.

Placing a club into administration would be the vehicle the industry would use to definitively finalise discussions. Vesting of the club’s assets would potentially then become part of the administration process.

No mechanism currently exists for the industry to control funds from the sale of surplus venues and land. At present, any sale proceeds would remain with the club, subject to provisions in their constitutions dealing with disposal (usually on wind-up of the club).

Therefore, clarification in legislation (Bill No. 2) may be required to confirm the mechanism and process to be followed. The mechanism would establish that where a club has not followed the agreed process and/or met the agreed criteria, the code would have the right to initiate action to place the club into administration and then deal with the potential distribution of any funds as part of that process.

The committee agrees that consultation and engagement with the industry should happen alongside any legislative changes.
Actions completed to progress Recommendation 12

- The IFVPG has been established and had its first meeting on 16 May 2019, and will continue to meet regularly until the Industry Venue Plan is finalised.

- The three racing codes and the NZRB have reviewed the August 2018 Draft Future Venue Plan Consultation Document, previously developed by the Industry Joint Working Group. Alongside, we have asked the codes to review the development of strategic imperatives and criteria around venue decisions, so the industry understands the key drivers for certain venues to have to stop holding race meetings. An objective, transparent process is vital where a code may be considering the future of a venue.

The IFVPG will also develop a process and criteria for how club assets (and associated funds) can be realised for the industry (through legislative mechanisms) if a venue is identified as no longer being required for racing. As part of this, a process for dispute resolution will also be developed.

- The committee sought advice from the Department of Internal Affairs on the current provisions in the 2003 Racing Act or regulations, that cover situations where racing stops at a club-owned venue.

- The department provided initial advice on responding to such scenarios, and said that implementation of any changes, if agreed to by Cabinet, would be considered for Bill No. 2.

The action the committee recommends to the Minister for Recommendation 12

The committee seeks no action from the Minister at this time.

RITA will see through to completion the work being undertaken by the IFVPG. RITA will recommend any necessary changes to legislation through Bill No. 2, to provide:

- a mechanism to deal with situations where no agreement has been reached for the management of a club’s assets, after an appropriate consultation process has been followed between the club and the code, based on a structure evaluation process and criteria

- a suitable legislative arrangement could be triggered either where the venue is no longer required for racing or the club is being mismanaged and not acting in the best interest of the wider racing industry

- the legislation would allow for the appointment of an independent/statutory authority (Board of Control) to manage the club’s assets and its operation. The Board of Control would protect the value of the club’s assets while decisions were made on the venue and/or the operation of the club, for the benefit of the club (where they choose to race at another venue), the community and the wider racing industry.
The proposed on-going work plan for RITA’s consideration —
Recommendation 12

**Recommendation 12:**
Clarify legislation to vest race club property and assets to the code regulatory bodies for the benefit of the industry as a whole

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<td>Report due 31 December 2019</td>
<td>In line with Bill No. 2 timeline</td>
<td>Redistribution of industry capital to drive revenue growth and reduction in venue operating costs.</td>
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<td>The IFVPG will continue to develop clear and transparent criteria to objectively measure why a venue is no longer required for racing, and create a mechanism to bring certainty to a dispute process that may subsequently arise.</td>
<td>Bill No. 2 if required</td>
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Report due 31 December 2019

In line with Bill No. 2 timeline

Bill No. 2 if required
Recommendation 13 of Messara Report
Reduce the number of venues

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.

Also, cross-referenced in Part 3 - Recommendation 1 (page 73 of the Messara Report)
- Reduce the number of existing thoroughbred racing venues in NZ 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 NZ 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.

The committee supports a joint-industry approach to this recommendation. The committee agrees that the Industry Future Venue Plan Group (IFVPG) will progress the development of a multi-year Industry Future Venue Plan, and report back to RITA from 1 July.

Submissions received on Recommendation 13
The following represent an overview, summary or extract from the relevant key stakeholder submissions on the Messara Report. They are not intended to be a full record of any individual submission or collection of submissions received. Read submissions at www.dia.govt.nz.

New Zealand Racing Board
The Board supports in part this recommendation. The Board agrees there are too many racing venues in NZ. However, there is a need to continue the joint industry approach to venues with the Future Venue Plan Group.

New Zealand Thoroughbred Racing
NZTR agrees in principle with the recommendation that the number of thoroughbred racing venues needs to be reduced.

Consistent with the principles of Code autonomy articulated in the report, NZTR considers that the final decision about the number of venues each Code requires should sit with the relevant Code, following consultation with the industry.

NZTR recognises that the process of venue consolidation will need to be a gradual and staged process which will take some years to complete. Final decisions about venues should not hold up the implementation of the other urgent aspects of the report.
Harness Racing New Zealand

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.

Greyhound Racing New Zealand

GRNZ believes that this is primarily a thoroughbred issue and wishes to support our fellow Code in this matter.

However, GRNZ notes that this will have consequential impacts on HRNZ, which will in turn impact GRNZ. Simply put, some harness tracks live inside thoroughbred tracks, and some greyhound tracks live inside harness tracks.

As a result of this ‘domino effect’, GRNZ suggests that the NZRB/Code-lead Future Venue Plan Group be used as the vehicle for final consultation and processing the venue consolidation and investment plan. This would mean any consequential issues can be managed simultaneously.

Other submitters

As expected, the closing of tracks is a very emotive issue with a lot of people.

To provide some context, 211 submissions were received on this recommendation. Some submissions had multiple signatories and other multiple supporting letters.

Suffice to say that most of the opposing submissions came from clubs whose venue were scheduled for closure and others were questioning the tracks to be retained.

There were 39 submissions that supported the reduction of thoroughbred tracks outright. A further 67 submissions appeared to provide qualified support but raised concerns, largely regarding the race tracks selected for closure.

The committee’s final position on Recommendation 13

The committee supports a joint-industry approach to this recommendation. The committee agrees that the Industry Future Venue Plan Group (IFVPG) will progress the development of a multi-year Industry Future Venue Plan, and report back to RITA from 1 July 2019.

The committee agrees there are too many venues for the scale of New Zealand’s racing industry, as acknowledged in previous reviews and reports.

Consideration does, however, need to be given to the role that dual-code venues play in New Zealand. There would be very little value in thoroughbreds not racing at a dual-code venue if the intention is for harness to continue to race there, for example.

The committee does not have a firm view on what the actual number of venues should be. It is proposed that RITA will use the Industry Future Venue Plan process to help determine the most appropriate number of venues needed to deliver racing across a balance of national, regional and community venues throughout New Zealand.
The IFVP’s most important function, however, is to develop the criteria to objectively assess the value to the industry of a venue remaining active, and create a mechanism to bring certainty to a dispute process that may subsequently arise.

The committee agrees that by improving racing infrastructure (facilities and tracks) at the remaining venues to the highest possible standard affordable, the industry would benefit in a number of ways.

With better tracks, a better racing experience for owners and patrons, and a higher-quality presentation of racing on TV and online, the industry will be able to increase betting turnover, both domestically and internationally.

NZTR released its own NZTR Future Venue Plan on 29 January 2019, and provided us with an update on 5 April 2019. This plan included the seven venues that NZTR no longer intends to race at from the 2019–2020 racing season. The committee considers that the NZTR Future Venue Plan should not preclude the IFVPG progressing an Industry Future Venue Plan for RITA’s review, with a fully integrated approach. The NZTR Venue Plan differs from the Messara Report’s venue plan.

The IFVPG will need to show the industry and the relevant local community where the actual value is from closing venues, and racing more often at the remaining venues. The IFVPG must be clear and transparent about the mechanism used to measure the cost to the industry for a venue to remain open, and not just work towards a pre-determined number of racing venues.

Actions completed to progress Recommendation 13

- The Industry Future Venue Plan Group had its first meeting on 16 May 2019. It will continue to meet regularly to develop the Industry Future Venue Plan and agree criteria to determine when a venue is no longer required for racing.
- The question of industry use of funds generated from the sale of freehold racing venues that are scheduled for closure is dealt with under Recommendation 12 — vesting of race club property (page 83).

The action the committee recommends to the Minister for Recommendation 13

- Bill No. 2 if required — see Recommendation 12.
The proposed on-going work plan for RITA’s consideration — Recommendation 13

**Recommendation 13:**
Reduce the number of thoroughbred race tracks from 48 to 28 under a scheduled program

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Recommendation 14 of Messara Report

Upgrade facilities and tracks of remaining venues with funds from closed venues

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.

Also, cross-referenced in Part 3

Recommendation 2 (page 73 of the Messara Report)
Significantly improve the racing and facilities infrastructure at all remaining tracks over the next six years and build three synthetic racing and training tracks (including Cambridge) over the next 3 years, at an estimated total cost of about $190m.

Recommendation 3 (page 73 of the Messara Report)
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.

Recommendation 4 (page 73 of the Messara Report)
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 $110m and close and sell the Te Rapa, Cambridge and Te Awamutu racecourses to fund the development. There would then be 27 thoroughbred venues in NZ.

The committee has included the work required for this recommendation in the terms of reference for the Industry Future Venue Plan Group (IFVPG).

Submissions received on Recommendation 14
The following represent an overview, summary or extract from the relevant key stakeholder submissions on the Messara Report. They are not intended to be a full record of any individual submission or collection of submissions received. Read submissions at www.dia.govt.nz.

New Zealand Racing Board
The Board support in part this recommendation

While the Board agrees that funds from the sale of surplus property should go to race venues, in-line with the position on recommendation 12, the board believes affected Clubs should be consulted as part of this process.

New Zealand Thoroughbred Racing
NZTR agrees that significantly more investment in thoroughbred racing venues is urgently required. The current operating model for the wagering business, and the statutory arrangements around the administration of the racing sector are not and indeed will never deliver sufficient financial returns to enable investment on the scale that is necessary or to send the appropriate signals about asset allocation.
NZTR considers that, once the position in relation to venues and the proceeds from their potential closure is clarified, it will be in a position to consult with clubs on the work programme put forward by Mr Messara, with a view to finalising a programme of works and potentially establishing a Future Fund or trust to support ongoing investment and maintenance (of venues and tracks).

**Harness Racing New Zealand**
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.

**Greyhound Racing New Zealand**
GRNZ believes that this is primarily a Thoroughbred issue and wishes to support our fellow Code in this matter.

However, GRNZ reiterates that if does not believe that a compulsory land and asset acquisition model is in the best interests of the outcome, and would instead suggest the use of the NZRB/Code Future venue Plan model.

**Other submitters**
This recommendation received 53 submissions. The feedback received by submitters on this recommendation also related to their views on recommendation 12 and 13.

Twenty submissions supported outright the recommendation and a further 14 provide partial support with 13 opposed the recommendation outright.

There was acknowledgement that the upgrading facilities and tracks at venues is important to bring them to the required standard but not total agreement on how that should be funded.

Submissions received on Part 3, Recommendation 2
The following represent an overview, summary or extract from the relevant key stakeholder submissions on the Messara Report. They are not intended to be a full record of any individual submission or collection of submissions received. Read submissions at [www.dia.govt.nz](http://www.dia.govt.nz).

**New Zealand Racing Board**
The Board supports this recommendation in part. The Board agrees there are too many racing venues in New Zealand. However, there is a need to continue the joint industry approach to venues with the Future Venue Plan.

**New Zealand Thoroughbred Racing**
NZTR agrees that significantly more investment in thoroughbred racing venues is urgently required. The current operating model for the wagering business, and the statutory arrangements around the administration of the racing sector, are not viable. The operating model and statutory arrangements are not delivering sufficient financial returns to enable investment on the scale that is necessary, or sending the appropriate signals about assets allocation, and indeed never will.

In regard to the building of synthetic tracks, NZTR is already working to ensure that sufficient funding is available either through asset realisation, the Provincial Growth Fund, or Club balance sheets.
Harness Racing New Zealand
Building three synthetic tracks is a thoroughbred issue. However, Harness Racing New Zealand is reviewing infrastructure requirements at Harness venues as part of the work being done on the Future Venue Plan.

Greyhound Racing New Zealand
Greyhound Racing New Zealand believes that this is primarily a thoroughbred issue and wishes to support their fellow code in this matter.

GRNZ is supportive of moving forward with this process to a feasibility study (of the Cambridge synthetic track). Final decisions should be made on this matter after the results of those studies have been determined.

Other submitters
Comments from those in support of this recommendation raised the importance of investment at the remaining venues, to bring them to the required standard.

Submissions received on Part 3, Recommendation 3
The following represent an overview, summary or extract from the relevant key stakeholder submissions on the Messara Report. They are not intended to be a full record of any individual submission or collection of submissions received. Read submissions at www.dia.govt.nz.

New Zealand Racing Board
The Board supports in part this recommendation, as any decisions need to be made in consultation with Clubs and their local communities.

New Zealand Thoroughbred Racing
NZTR consider that, once the position in relation to venues and the proceeds from their potential closure is clarified, it will be in a position to consult with clubs on the work programme put forward in the Messara Report, with a view to finalising a programme of works and potentially establishing a Future (investment) Fund to support ongoing investment and maintenance.

Harness Racing New Zealand
HRNZ considers this to be a thoroughbred issue. However, it also considers that impact on joint thoroughbred and harness venues would need to be considered when determining options in this area.

Greyhound Racing New Zealand
GRNZ supports this recommendation in principle. Subject to its views on Recommendation 5, GRNZ believes that this is primarily a thoroughbred issue and wishes to support their fellow code in this matter.

Other submitters
53 submissions were received on this recommendation with feedback on this recommendation also relating to their views on recommendation 12 and 13 in the executive summary section of the Messara Report.
There were submissions supporting outright the recommendation to upgrade the remaining venues with funds generated from track closures.

The committee’s final position on Recommendation 14

The committee has included the work required for this recommendation in the terms of reference for the Industry Future Venue Plan Group (IFVPG).

The committee recommends a clear and transparent process and criteria be established and followed before any action is taken to use funds from venues that are closed for racing to invest in the facilities and tracks at the remaining venues. This is being dealt with under Recommendation 12 (page 83).

The industry currently has no mechanism to control funds from the sale of surplus venues and land. Currently any sale proceeds would remain with the club, subject to provisions in their constitutions dealing with disposal (usually on wind-up of the club).

Actions completed to progress Recommendation 14

- The Industry Future Venue Plan Group had its first meeting on 16 May 2019. It will continue to meet regularly to develop the Industry Future Venue Plan and agree criteria to determine when a venue is no longer required for racing.
- The question of industry use of funds generated from the sale of freehold racing venues that are scheduled for closure is dealt with under Recommendation 12 — vesting of race club property (page 83).

The action the committee recommends to the Minister for Recommendation 14

- Bill No. 2 if required — see Recommendation 12

The proposed on-going work plan for RITA’s consideration — Recommendation 14

**Recommendation 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**

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Recommendation 15 of Messara Report

Construct three synthetic tracks

Construct three synthetic all-weather tracks at Cambridge, Awapuni and Riccarton with assistance from the NZ Government’s Provincial Growth Fund. Support the development of the Waikato Greenfields Project.

Also, cross-referenced in Part 3:

Recommendation 2 (page 73 of the Messara Report)
Significantly improve the racing and facilities infrastructure at all remaining tracks over the next six years and build three synthetic racing and training tracks (including Cambridge) over the next 3 years, at an estimated total cost of about $190m.

Recommendation 3 (page 73 of the Messara Report)
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 should also be required to sell any surplus freehold land holdings to help co-fund infrastructure investment.

The committee supports this recommendation, and the associated sub-recommendations Part 3, Recommendation 2 and Part 3, Recommendation 3, subject to proper project planning processes being followed and inclusive of all affected parties. Recommendation 15 was included in the terms of reference for the Industry Future Venue Plan Group.

Submissions received on Recommendation 15

The following represent an overview, summary or extract from the relevant key stakeholder submissions on the Messara Report. They are not intended to be a full record of any individual submission or collection of submissions received. Read submissions at www.dia.govt.nz.

*New Zealand Racing Board*

The Board Supports this recommendation

*New Zealand Thoroughbred Racing*

NZTR strongly supports this recommendation

NZTR supports the proposed programme of work for synthetic tracks, and NZTR is already working to ensure that sufficient funding is available either through asset realisation, the Provincial Growth Fund, or club balance sheets

*Harness Racing New Zealand*

HRNZ see this as a thoroughbred issue. HRZ is supportive of the feasibility study to assess the merits of the proposed Waikato tri-code ‘Greenfields’ project.
**Greyhound Racing New Zealand**
GRNZ believes this is primarily a thoroughbred issue and wishes to support our fellow Code in the matter.

GRNZ is supportive of moving forward with this process to a feasibility study. Final decisions should be made on this matter after the results of those studies have been determined.

GRNZ is also supportive of a ‘Greenfields’ undertaking in the Waikato – on the basis that this is a tri-code venue.

**Other submitters**
Recommendation 15 received 89 submissions. Of these, 34 supported outright the construction of three synthetic tracks and/or development of the Waikato Greenfields Project. A further 44 submissions provided qualified support. Eight submissions opposed the recommendations outright, and three made additional comments, largely concerning the quality of synthetic tracks.

Of those providing qualified support, a majority suggested a phased approach, building one synthetic track as a trial before committing to building the remaining two tracks.

Submissions received on Part 3, Recommendation 2
The following represent an overview, summary or extract from the relevant key stakeholder submissions on the Messara Report. They are not intended to be a full record of any individual submission or collection of submissions received. Read submissions at [www.dia.govt.nz](http://www.dia.govt.nz).

**New Zealand Racing Board**
The Board supports in part this recommendation.

The Board agrees there are too many racing venues in NZ, however there is a need to continue the joint industry approach to venues with the Future Venue Plan.

**New Zealand Thoroughbred Racing**
NZTR agrees that significantly more investment in thoroughbred racing venues is urgently required. The current operating model for the wagering business, and the statutory arrangements around the administration of the racing sector are not and indeed will never deliver sufficient financial returns to enable investment on the scale that is necessary or to send the appropriate signals about assets allocation.

In regard to the building of synthetic tracks NZTR is already working to ensure that sufficient funding is available either through asset realisation, the Provincial Growth Fund, or Club balance sheets.

**Harness Racing New Zealand**
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.

**Greyhound Racing New Zealand**
GRNZ believes that this is primarily a thoroughbred issue and wishes to support our fellow Code in this matter.
GRNZ is supportive of moving forward with this process to a feasibility study (of the Cambridge synthetic track). Final decisions should be made on this matter after the results of those studies have been determined.

**Other submitters**
Comments from those in support of this recommendation raised the importance of investment at the remaining venues, to bring them to the required standard.

Submissions received on Part 3, Recommendation 3
The following represent an overview, summary or extract from the relevant key stakeholder submissions on the Messara Report. They are not intended to be a full record of any individual submission or collection of submissions received. Read submissions at [www.dia.govt.nz](http://www.dia.govt.nz).

- **New Zealand Racing Board**
The Board supports in part this recommendation, as any decisions need to be made in consultation with Clubs and their local communities.

- **New Zealand Thoroughbred Racing**
NZTR consider that, once the position in relation to venues and the proceeds from their potential closure is clarified, it will be in a position to consult with clubs on the work programme put forward in the Messara Report, with a view to finalising a programme of works and potentially establishing a Future (investment) Fund to support ongoing investment and maintenance.

- **Harness Racing New Zealand**
Thoroughbred issue. Impact however on joint thoroughbred/harness venues would need to be considered when determining options in this area.

- **Greyhound Racing New Zealand**
GRNZ supports in principle

Subject to its views on recommendation 5, GRNZ believes that this is primarily a thoroughbred issue and wishes to support our fellow Code in this matter.

**Other submitters**
This recommendation received 53 submissions. Feedback on this recommendation also related to views on recommendation 12 and 13 in the executive summary section of the Messara Report.

There were submissions supporting outright the recommendation to upgrade the remaining venues with funds generated from track closures.

**The committee’s final position on Recommendation 15**
The committee supports this recommendation, and the associated sub-recommendations Part 3, Recommendation 2 and Part 3, Recommendation 3, subject to proper project planning processes being followed and inclusive of all affected parties. Recommendation 15 was included in the terms of reference for the Industry Future Venue Plan Group.
The committee believes that synthetic tracks will have a role to play in New Zealand racing to provide an alternative racing, training and trialling surface to turf tracks, predominantly during late autumn, winter and early spring.

The committee also believes the location of and the type of synthetic track needs to be decided in a well-thought-out and planned manner to minimise the risk and maximise the benefit.

The committee also believes it will be important for the racing industry to have access to the funds generated from the sale of venues that are no longer required for racing. The racing industry must be able to use those funds to upgrade tracks and facilities at the remaining venues, to provide turf and synthetic tracks that enable safe and competitive racing, training and trialling, and to be able to build modern and attractive facilities for on-course patrons, owners and industry participants to enhance the on-course experience. Attractive facilities will also generate more non-racing income from events such as conferences, weddings and festivals.

There is currently no mechanism for the industry to control funds from the sale of surplus venues and land. Currently any sale proceeds would remain with the club.

This issue is being dealt with as part of Recommendation 12 (page 83).

The committee clearly sees a role for synthetic tracks in New Zealand, but the planning for these synthetic tracks needs to be carefully considered to minimise any potential risk and to maximise the benefit to the racing industry.

Role of synthetic tracks

1. They will provide a reliable racing surface for mid-week race meetings during the synthetic track racing season (late autumn, winter and early spring), and provide a reliable training and trialling surface all year round.

2. There will be positive impact on the horse supply chain for race meetings as trainers that have access to the synthetic tracks will be able to get horses fit by training and trialling on synthetic tracks all year round.

3. There will be a decrease in costs for owners who have horses in training that can’t get race-ready due to the poor condition of the current training tracks.

The committee also supports the concept of a Waikato Greenfields facility.

The Waikato Racing Club, Cambridge Jockey Club and the Waipa Racing Club are undertaking a feasibility study to determine their options for developing a Greenfields solution for thoroughbred racing, trialling and training in the Waikato.

Actions completed to progress Recommendation 15

- The committee has not formed a view on the exact number, location and use of synthetic tracks in New Zealand.

- Representatives from the committee met with NZTR and the Cambridge Jockey Club on site on 11 February 2019 to discuss the proposed NZTR/club synthetic track project plan.
To help mitigate the risks associated with this project, the committee requested that NZTR and the Cambridge Jockey Club carry out a fully independent peer review of the synthetic track project plan and a review of the finances of the club.

The committee has had no further direct involvement in the project, but is aware that the Provincial Growth Fund has approved part funding of a 16m-wide synthetic track at the Cambridge Training Centre for thoroughbred training, trialling and racing.

The project is being co-ordinated between NZTR and the Cambridge Jockey Club.

- The committee has had no direct involvement in the Waikato Greenfields thoroughbred project but has been informed on the progress the Steering Group has made to date.

The action the committee recommends to the Minister for Recommendation 15
The committee seeks no action from the Minister at this time.
The proposed on-going work plan for RITA’s consideration — Recommendation 15

**Recommendation 15:**
Construct three synthetic all-weather tracks at Cambridge, Awapuni and Riccarton with assistance from the New Zealand Government’s Provincial Growth Fund. Support the development of the Waikato Greenfields Project

<table>
<thead>
<tr>
<th>Actions plan</th>
<th>By</th>
<th>Include in Bill number</th>
<th>Revenue impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Industry Future Venue Plan Group (IFVPG) will continue to develop an Industry Future Venue Plan and associated criteria.</td>
<td>31 December 2019</td>
<td></td>
<td>The availability of a synthetic training and trialling track will improve the supply chain of thoroughbred horses, leading to increased field sizes at race meetings in spring and reduced abandonments in winter. Optimising use of industry infrastructure will maximise revenue growth.</td>
</tr>
<tr>
<td>The number and location of other synthetic tracks will be incorporated into the IFVPG’s report.</td>
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<tr>
<td>If requested, assist with the development of a Waikato Greenfields Thoroughbred Project.</td>
<td>On-going</td>
<td></td>
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</table>
The Racing Industry Transition Agency (RITA)

The racing industry needs expert change management to lead it through the coming period of substantial reform.

*Change will happen quickly, and disruption must be carefully managed and minimised*

We are looking at a period of months, not years, to shift from the industry’s current structure and way of operating to the form and functions outlined in the Messara Report, and further refined by this committee.

The Minister has confirmed that Racing Reform Bill (Bill No. 1), coming into effect from 1 July 2019, will put into immediate effect the Racing Industry Transition Agency (RITA). Establishing such an agency was not part of the Messara Report. However, such an agency is required to manage the transition of the racing industry and its wide range of stakeholders through this period of change.

The role of RITA will be to:

- support the change management programme
- enable initiatives that will drive revenue growth and reduce cost for the racing industry
- increase revenue for Sport NZ and the national sporting organisations it has agreements with
- set leadership and governance arrangements to give the industry the best chance of benefiting from these changes
- keeps business operating as usual.

This will mean that from 1 July 2019, the New Zealand Racing Board will be reconstituted as RITA.

The transition must be effective and as seamless as possible. Disruption, although inevitable to some degree, would come at a cost and must be avoided where possible and minimised regardless. RITA must be structured efficiently to minimise the cost of transition for the industry and Government. We cannot afford to build empires.

*RITA needs people with a unique skillset*

The challenges in this period of transition need a tailored approach to change management, from an organisation with a unique set of skills and experience. Its leaders need expertise in:

- NZRB’s current activities and racing functions
- law and commerce — to manage devolving of responsibilities, functions and (possibly) assets
- change management — to orchestrate and oversee the process of transition.

*RITA will work with the Minister for Racing*

The committee considers it appropriate for RITA to work closely with the Minister for Racing.

The Government is making a substantial investment in the industry through the Messara Report, the work of this committee, and the preparation of upcoming legislation. RITA will be accountable to the Minister in its work. Involving the Minister, taking input from him, and being directly accountable will safeguard the investment and ensure the transition delivers the outcomes expected.