MINISTERIAL ADVISORY COMMITTEE

Interim Report on the Review of the New Zealand Racing Industry
- The Messara Report

February 2019
Contents

Executive summary ........................................................................................................................ 3
The context for this Interim Report ............................................................................................. 9
The process for enacting the new racing legislation ................................................................. 13
Summary of the committee’s responses and legislation required for Messara’s 17 recommendations ................................................................................................................ 15
The work plan for the committee ............................................................................................... 25
The committee’s analysis of the Messara Report’s recommendations ..................................... 35

The governance and structure of racing .................................................................................... 39
  Recommendation 1
  NZRB becomes TAB NZ, focusing on commercial activities .............................................. 41
  Recommendation 2
  Establish Racing NZ as a consultative forum for the three racing codes .......................... 45
  Recommendation 3
  Change the composition and qualifications for directors of code regulatory bodies .......... 49
  Recommendation 6
  Review the structure and efficacy of the racing integrity bodies ....................................... 52
  Recommendation 16
  Establish traceability and re-homing as foundation of industry animal welfare ............. 55

Finance and distribution to the codes ....................................................................................... 59
  Recommendation 5
  Amend the Section 16 distribution formula of the Racing Act .......................................... 61
  Recommendation 10
  Introduce Betting Information Use Charge and Point of Consumption tax legislation ....... 65
  Recommendation 11
  Repeal the existing betting levy .......................................................................................... 69
  Recommendation 17
  Increase thoroughbred prizemoney ...................................................................................... 73

Betting and the TAB .................................................................................................................. 77
  Recommendation 4
  Request a performance and efficiency audit of the NZRB under Section 14 ..................... 79
  Recommendation 7
  Investigate outsourcing NZRB commercial activities to an international betting operator .. 82
  Recommendation 8
  Seek approval for a suite of new betting products to increase funding for the industry ....... 87
  Recommendation 9
  Confirm the assignment of intellectual property by the clubs to the codes ....................... 94
Consolidating venues and clubs .................................................................................................... 99
  Recommendation 12
  Legislate to vest club assets to code regulatory bodies.......................................................... 101
  Recommendation 13
  Reduce the number of venues ............................................................................................... 107
  Recommendation 14
  Upgrade facilities and tracks of remaining venues with funds from closed venues .......... 110
  Recommendation 15
  Construct three synthetic tracks ............................................................................................ 115

Establishing the Racing Industry Transitional Authority (RITA) ...............................................123
Executive summary

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 the various 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 is going to 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 increased levels of investment, 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; and 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 in the 77 days since it was assembled, to enable this Interim 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 touches 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

There are two racing amendment Bills recommended for consideration by the Government. The first Bill would put in place the necessary means to increase industry revenue and the transitional oversight arrangements to establish the Racing Industry Transitional Authority (RITA). It is proposed that this Bill would come 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 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. It is proposed that the second Bill would come into effect from 1 January 2020. Details of the legislative process are on page 13.
The committee’s initial focus — legislation to generate revenue for the racing industry

Four of the Messara Report’s recommendations will, if enacted, generate additional revenue for the racing industry. We strongly support including them in the first Bill. They are:

- introduce a Betting Information Use Charge and a Point of Consumption tax for overseas betting operators, to benefit the racing and sporting codes — Recommendation 10
- repeal the betting levy and distribute the revenue to the racing and sporting codes — Recommendation 11
- enable in-race betting on the outcome of races — Recommendation 8
- conduct betting on sports where there is no agreement with a national sporting organisation — Recommendation 8
- set up the framework to amend the formula for distributing NZRB surpluses to the racing codes in Section 16 of the Racing Act — Recommendation 5.

Integrity and animal welfare focus

The committee agrees that there needs 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 has already engaged extensively with the three racing codes to better understand the work they are currently doing in regard to putting in place best-practice animal welfare policies, oversight and governance.

Other 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 the second Bill:

- turn the NZRB into Wagering NZ (TAB NZ), and devolve 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.

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

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

An Industry Governance Project Group will advise on industry structure

We have established the Industry Governance Project Group, 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 commercial activities (betting, broadcasting and gaming), with 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 NZRB and the codes — Recommendation 3.

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 include considering the option of retaining these services in New Zealand, as well as any joint venture opportunities.

As a related matter, the RIOEC will also consider clubs assigning their intellectual property — race field information and broadcast rights — to their codes, under Recommendation 9.

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. Reporting to the committee, its representatives from the committee, the NZRB and racing codes will 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.

Independent reviews by suitably qualified persons, who will be reporting to the committee
• A special review led by an independent qualified person will look at the structure of racing’s integrity bodies — Recommendation 6.
• Performance and efficiency audit of the NZRB under Section 14 of the Racing Act 2003 with particular emphasis on the operating costs of the NZRB — Recommendation 4, and undertake a review of the operational costs of the racing industry’s integrity bodies — Recommendation 6.
• Review of the formula for distributing NZRB surpluses to the codes to establish the optimum distribution model — Recommendation 5.

We are working 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 same time and the opportunity for equal 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 aims to increase its means, reduce its consumption, and improve the outcomes from its investment strategies.

The committee also want to reverse the historical model where the stakeholders of the business get what’s left after the administrators have taken what they believed they needed 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 have started with the revenue-earning recommendations, we are not focusing only on quick fixes. There must be a pathway built to achieve long-term results.

Nor does the committee advocate change for change’s sake. The committee will 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 reform process. The Messara Report does not cover this, but change capability and focus are needed to implement the report’s recommendations.

As proposed in the committee’s terms of reference, this role is going to be carried out by the Racing Industry Transitional Authority (RITA). RITA will need people with expert racing, betting, sports and commercial knowledge. They must understand and feel empathy for the unique dynamics and traditional values of the New Zealand racing industry.

The committee offers clarity and certainty to the racing industry
To give the industry the confidence to change, the committee needs 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 openly and transparently. As change progresses, dealings with the industry and communities must continue to be transparent, inclusive and robust.
At the same time, the committee will need 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 the committee does in the coming months will deliver 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 in New Zealand.

This report describes our work on each recommendation in detail
On page 9, we provide the background context to this Interim Report, and what has gone before.

On page 13, we explain the legislative process for enacting the reforms of the Messara Report.

On page 15, we give a summary of the committee’s responses and the legislation required (if any) for Messara’s 17 key recommendations.

On page 25, we lay out the work plan for the committee, until RITA is established in legislation.

From page 35, we analyse each of the 17 key recommendations and give our advice on how to progress them.

On page 123, we outline the attributes of RITA that will actively manage the change process for the industry.
The context for this Interim Report

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

The Final Report is due to the Minister at the end of June 2019.

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 initial advice to the Minister.

The committee has been 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 identify as the main drivers for successful racing industry reform. This has provided the basis for a work plan for the committee, on page 25.

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 in 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.

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 was 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.

Engagement with the codes and the wider racing industry is an important part of the committee’s work
Engagement with the codes and the wider industry has been an important part of the committee’s work, and will be an ongoing commitment from the committee. This engagement will increase once the Interim Report and direction is in the public domain, and as the committee works towards the Final Report at the end of June 2019.

The committee has engaged extensively with the New Zealand Racing Board and the three racing codes, the wider racing industry, and Sport New Zealand.

Next steps in our work towards racing industry reform
The committee’s work will continue for some time, as we continue to advise the Government on what steps need to be taken to move towards a more vibrant and successful racing industry in New Zealand.

March 2019 — decisions from the Government and direction from the Minister
On the basis of this Interim Report, the Government is expected to make decisions on the Messara Report recommendations in March 2019. This will identify which of the report’s recommendations the Government agrees to implement. The Minister for Racing may also give the committee further direction about the committee’s future work.

June 2019 — our Final Report will say how to implement change
The committee will deliver its Final Report to the Minister by 30 June 2019. The purpose of the final report will be to seek Government approval or continued support for the balance of the recommendations not resolved as part of the Interim Report. Once approved, the final report will provide guidance and advice to the Racing Industry Transitional Authority (RITA). RITA was the entity identified in the committee’s terms of reference to oversee the change management process between the NZRB establishing itself as TAB NZ to solely focus on the commercial activities (betting, broadcasting and gaming), with the current NZRB racing roles being devolved to the three racing codes.

The committee will give:
- final advice on operational or other matters that the Government should consider in its response to this final report
- a draft change management plan for RITA to follow, identifying key steps, processes and timings
- a view on the roles, functions and responsibilities of Racing NZ, which is the proposed forum for the three racing codes to consult on issues such as the racing calendar, integrity functions, and funding agreements with TAB NZ.
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 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 considers that the recommendations that require legislative change should be advanced through two separate pieces of legislation.

A Bill No. 1 would put the necessary transitional oversight arrangements in place, create the means to increase industry revenue, and make provision for regulations. These regulations can set out the formula for the apportionment of funding to the codes and sporting bodies, and the mechanisms for disbursement. This first Bill is proposed to be enacted on or before 30 June 2019 and would come into effect from 1 July 2019.

A Bill No. 2 would then make the substantive changes to the structure of the entities, establish TAB NZ, and put in place any revenue provisions not contained within Bill No. 1. This second Bill is intended to be enacted on or before 31 December 2019 and would come into effect from 1 January 2020.

Once introduced to Parliament, these Bills would be subject to the Parliamentary process.

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, depending on the level of complexity and the systems and procedures that need to be developed by TAB NZ and/or the codes.

For example, the committee has proposed that the betting levy would be abolished in Bill No. 1. If this recommendation were agreed, the levy would no longer be remitted to Inland Revenue by the NZRB from 1 July 2019, but would remain in the NZRB bank accounts for distribution to the codes. Once the committee had established the formula for allocation and if the Minister were to agree, regulations reflecting this could be drafted and funding could be made on this basis.
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 its racing functions, will be more competitive and generate better returns for the industry.

Legislation required
- Establishment of a transitional entity (RITA) as a central vehicle to oversee/sit above the transitional environment (Bill No. 1)
- Changing the governance structure, so the NZRB becomes TAB NZ, with racing responsibilities devolving to the individual codes (Bill No. 2)
- Establishment of TAB NZ focusing on its commercial activities (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. Further consideration will include what racing functions devolve from 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.

*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*
Bill No. 2 (post-transition governance)

**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, and considers an audit must start as soon as possible. The information it will produce will affect the evaluation of whether all or some of the commercial activities of TAB NZ are outsourced or not (Recommendation 7, page 82).

*Legislation required*
Bill No. 2 (if 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)**
Provided 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, but further work is required to set an appropriate distribution formula.

**Legislation required**
- Powers to make regulations for the funding distribution formula in Section 16 of the Racing Act 2003 (Bill No. 1)

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**
Bill No. 2 (post-transition governance)
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. A terms of reference has been prepared.

Legislation required
- Make legislative provision for outsourcing the NZRB’s commercial activities, or providing for variations on this proposal (Bill No. 2)

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
- Enable in-race betting on the outcome of races (Bill No. 1)
- Conduct betting on sports where there is no national sporting organisation, through an agreement with Sport New Zealand (Bill No. 1)
- Allow for new betting and gaming products to be introduced following an appropriate approval process (Bill No. 2)
- Amend Section 55 of the Racing Act 2003 to enable TAB NZ to offer betting on all overseas events (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)
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.

Legislation required
- Bill No. 2 (if required)

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 tax (POC).

Legislation required
- Introduction of a Betting Information Use Charge — BIUC (Bill No. 1)
- Introduction of a Point of Consumption tax — POC (Bill No. 1)
- Noting that the rates for the BIUC and POC to be flexible, and to be set by the approved designated authorities in consultation with TAB NZ (Bill No. 1)

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
- Repeal of the betting levy and replacement with regulations to allow for a collection and disbursement mechanism (Bill No. 1)
- Further regulations to set an appropriate distribution formula once the committee has undertaken further work on the distribution model, including whether an ‘economic contribution’ element should be factored in (Bill No. 1)
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
- Legislation may be required to enable the code governing bodies or an independent entity to put clubs into administration that race at a venue that is no longer required for racing. This would include the power to sell the land for the benefit of the wider industry, where the club concerned will not co-operate in the selling of their land or how the proceeds from the sale should be applied.
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 (IFVP) — made up of representatives from the committee, NZRB and the three racing codes — should be the group to progress the development of a multi-year Industry Future Venue Plan, and report back to the committee.

Legislation required
None

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 cofund 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 will include the work required for this recommendation in the Industry Future Venue Plan Group (IFVP)’s terms of reference.
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 will be included in the terms of reference for the Industry Future Venue Plan Group.

Legislation required
None

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.

Legislation required
Bill No. 2 (if required)
### 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 this recommendation and agrees codes will need to manage any increases in prizemoney in consultation with their clubs.

*Legislation required*

None
The work plan for the committee
A detailed plan for the committee’s remaining work until the Racing Industry Transitional Authority is established in legislation. (MAC refers to the Ministerial Advisory Committee.)

**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>
</tr>
</thead>
<tbody>
<tr>
<td>Continue with Industry Governance Project Group (PG) meetings to achieve key outcomes:</td>
<td>Report due to MAC by 30 April 2019</td>
<td>Bill No. 2 (post-transition governance)</td>
<td>Transitional governance in place to ensure additional revenue managed effectively and efficiency optimised.</td>
</tr>
<tr>
<td>• Have a clear framework/plan for the industry’s transition to its structure</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Ensure the new industry structure is cost-effective, accountable, effective and efficient</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Establish RITA as a central vehicle to oversee/sit above the transitional environment</td>
<td>Ready to commence operating by 1 July 2019</td>
<td>Bill No. 1</td>
<td>Commercially oriented entity focused on optimising returns to industry.</td>
</tr>
<tr>
<td>• Establishment of TAB NZ, focusing on its commercial activities</td>
<td>Ready to commence by 1 January 2020</td>
<td>Bill No. 2</td>
<td></td>
</tr>
</tbody>
</table>
**Recommendation 2:**

Establish 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>• This recommendation is incorporated into the terms of reference for the PG under Recommendation 1.</td>
<td>Ready to commence post-transition operations by 1 January 2020</td>
<td>Bill No. 2 (if required)</td>
<td>Potential savings through collaborative code activities, i.e. shared service arrangements.</td>
</tr>
<tr>
<td>• Establishment of Racing NZ.</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Recommendation 3:**

Change the composition and qualifications for directors of regulatory bodies

<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>This recommendation will be considered as a subset of the PG terms of reference, by investigating best-practice models and pre-existing templates.</td>
<td>Report due to MAC by 30 April 2019</td>
<td>Bill No. 2 (post-transition governance) if required</td>
<td>Better decisions will mean better outcomes.</td>
</tr>
</tbody>
</table>

**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

<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>MAC to review the audit report once it is completed.</td>
<td>30 April 2019</td>
<td>Bill No. 2 (if required)</td>
<td>Ensures new entity is designed to be fit for purpose.</td>
</tr>
<tr>
<td>Draw upon information provided in audit report in considering establishment and operations of TAB NZ and devolution of functions to the codes.</td>
<td>Over transition period — 2020 calendar year</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### 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>
</tr>
</thead>
<tbody>
<tr>
<td>Engage independent qualified person to review models from the Messara Report and the racing code submissions.</td>
<td>31 March 2019</td>
<td>Bill No. 1 (powers to make regulations)</td>
<td>Industry stakeholders are able to make investment decisions based on certainty of long-term funding model.</td>
</tr>
</tbody>
</table>

### 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

<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>Undertake a special review of the structure and efficacy of the racing integrity bodies, using an independent qualified person.</td>
<td>Report due to MAC by 31 May 2019 (TBC)</td>
<td>Bill No. 2 (post-transition governance)</td>
<td>Contributes to industry sustainability through enhancing ‘social licence to operate’.</td>
</tr>
<tr>
<td>Receive the report of the operational cost review of the integrity bodies within the extended scope of the S14 Performance and Efficiency Audit (Recommendation 4).</td>
<td>Audit report on outcomes specified due to MAC by 30 April 2019</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Draft legislation if necessary.</td>
<td>30 June 2019</td>
<td></td>
<td></td>
</tr>
</tbody>
</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

<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></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

---
Commence Racing Industry Outsourcing Evaluation Committee (RIOEC) meetings with the NZRB and the codes. 6 March 2019
Preliminary report (including specifications for any external due diligence on the outsourcing options) due to MAC by 30 June 2019

Focused on the commercial activities of TAB NZ will drive revenue growth.

Draft legislative framework for governance and form of:

- RITA — enabling it to take any necessary decisions during the transition period
- TAB NZ — enabling it to advance matters still under consideration at commencement.

MAC makes recommendations to RITA on scope and timing of work to be done by RIOEC or external due diligence consultant. 30 June 2019

Bill No. 1 (transitional change management)
Bill No. 2 (post-transition governance)

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

<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></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Draft legislative framework to include new betting and gaming products:

- Bill No. 1 — Conduct in-race betting and betting on sports where there is no NSO, through an agreement with Sport New Zealand
- Bill No. 2 — to allow for new betting and gaming products (including virtual racing) to be introduced following an appropriate approval process, remove legal restrictions in S33 (3) of the Gambling Act, and allow betting on all overseas sports events.

Bills No. 1 and 2 (establish approval process for new betting and gaming products) 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.

Recommendation 9:
Confirm the assignment of intellectual property by the clubs to the codes

<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>First meeting of RIOEC</td>
<td>6 March 2019</td>
<td>Bill No. 2 (if required)</td>
<td>Clarity on IP allows codes and TAB NZ to maximise commercial activities.</td>
</tr>
<tr>
<td>Draft terms of reference for RIOEC to include as a key outcome:</td>
<td>6 March 2019</td>
<td>Bill No. 2 (if required)</td>
<td>Clarity on IP allows codes and TAB NZ to maximise commercial activities.</td>
</tr>
<tr>
<td>resolution of the intellectual property (IP) ownership and assignment issues so the industry can optimise the value proposition in regard to race field information and broadcast rights, and assignment of those rights.</td>
<td>Interim report due to MAC by 30 June 2019</td>
<td>Bill No. 2 (if required)</td>
<td>Clarity on IP allows codes and TAB NZ to maximise commercial activities.</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Actions plan</th>
<th>By</th>
<th>Include in Bill number</th>
<th>Revenue impact</th>
</tr>
</thead>
</table>
Interim Report of the Ministerial Advisory Committee

Draft legislation in Bill No. 1 to allow for Betting Information Use Charge (BIUC) and Point of Consumption (POC) tax to be introduced.

Committee conducts further analysis (and if necessary commissions further research) on the market and options for scheme administration for inclusion in its final report.

<table>
<thead>
<tr>
<th>Recommendation</th>
<th>Description</th>
<th>Actions plan</th>
<th>By</th>
<th>Include in Bill number</th>
<th>Revenue impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>11</td>
<td>Repeal the existing betting levy of approximately $13 million per annum paid by the NZRB and redistribute to codes</td>
<td>Draft legislation to allow for repealing and replacement of the betting levy with regulations to allow for a collection and disbursement mechanism. Further work required on distribution model and whether an ‘economic contribution’ element should be factored in.</td>
<td>30 June 2019</td>
<td>Bill No. 1</td>
<td>Levy starts accumulating from 1 July 2019.</td>
</tr>
<tr>
<td>12</td>
<td>Clarify legislation to vest race club property and assets to the code regulatory bodies for the benefit of the industry as a whole</td>
<td>The principle of this recommendation will be incorporated into the terms of reference for the Industry Future Venue Plan Group under Recommendation 13.</td>
<td>Report due 31 December 2019</td>
<td>Bill No. 2 (if required)</td>
<td>Redeployment of industry capital to drive revenue growth and reduction in venue operating costs.</td>
</tr>
<tr>
<td>13</td>
<td>Reduce the number of thoroughbred race tracks from 48 to 28 under a scheduled program</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### 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.

<table>
<thead>
<tr>
<th>Actions plan</th>
<th>By</th>
<th>Include in Bill number</th>
<th>Revenue impact</th>
</tr>
</thead>
</table>

The principle of this recommendation will be incorporated into the terms of reference for the Industry Future Venue Plan Group under Recommendation 13.

### 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></td>
<td></td>
<td></td>
<td>Redistribution of industry capital to drive revenue growth and reduction in venue operating costs.</td>
</tr>
</tbody>
</table>
MAC will engage with the Provincial Growth Fund (PGF) once the reports of the Cambridge Synthetic Track Plan peer review and the Cambridge Jockey Club financial review have been considered by MAC.

The number and location of synthetic tracks will be incorporated into the Industry Future Venue Plan Group’s report.

MAC will consider facilitating an application to be made to the PGF to commence a feasibility study for the Waikato Greenfields Project. The study will consider all options, including the redevelopment of Te Rapa as a racing centre of excellence, and a new tri-code or single-code venue.

<table>
<thead>
<tr>
<th>Recommendation 16:</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Introduce robust processes to establish traceability from birth and the re-homing of the entire thoroughbred herd, as the foundation stone of the industry’s ongoing animal welfare program</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Actions plan</th>
<th>By</th>
<th>Include in Bill number</th>
<th>Revenue impact</th>
</tr>
</thead>
</table>
| Codes to submit their animal welfare strategies and policies to MAC. | Ongoing | Bill No. 2 (if required) | Contributes to industry sustainability through enhancing ‘social licence to operate’.

Best governance structure for animal welfare will be considered under the review of integrity bodies covered by Recommendation 6.

<table>
<thead>
<tr>
<th>Recommendation 17:</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Increase thoroughbred prizemoney to over $100 million per annum through a simplified payment model</strong></td>
</tr>
</tbody>
</table>

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/reduced abandonments in winter. Optimising use of industry infrastructure will maximise revenue growth.
<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>RITA will request future prizemoney policy information from the three racing</td>
<td></td>
<td></td>
<td>A prizemoney structure that increases participation, increases field sizes</td>
</tr>
<tr>
<td>codes in due course to make sure they align with Recommendation 17.</td>
<td></td>
<td></td>
<td>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 agree 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 can be operationalised quickly, and begin to generate revenue for the racing industry. These include repealing the betting levy; introducing new betting and gaming products; introducing a Betting Information Use Charge for offshore betting operators to use information about New Zealand race fields and sports events, and a Point of Consumption tax 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 has set up industry working groups to progress initiatives including: separating the NZRB’s commercial activities and devolving the racing functions to the three racing codes; 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 a lower priority. The work they need is more complex and will take longer to complete. 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 and clubs
  Recommendations 12, 13, 14 and 15
For each recommendation, we:

- summarise key stakeholder submissions
- give the committee’s considered position and analysis
- 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

**Recommendation 1**
NZRB becomes TAB NZ, focuses on commercial activities — racing responsibilities devolve to the three racing codes

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

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

**Recommendation 6**
Review the structure and efficacy of the racing integrity bodies

**Recommendation 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 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 ‘upscaling’ payment – this reflects the fact that GRNZ is the Code most integrated with the NZRB 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 NZRB’s business, contributing a growing proportion of total turnover, from 10% in 2003/04 to 27% in 2017/18. The NZRB 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 NZRB’s business, Sport NZ believes NZRB 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 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 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 the NZRB’s functions, and returning the racing functions 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, we have set up an Industry Governance Project Group (PG). It involves representatives from the NZRB and the three racing codes, and is co-ordinated by the committee secretariat. Its terms of reference have been written and agreed.

The group will prepare a report informing us on how it believes is the best way to deliver a clear change management plan for the industry to move identified roles, functions and responsibilities from the NZRB to the three racing codes. The group will identify any roles that are not now required. Inefficient systems and processes need to be eliminated.

The group will also consider and inform the committee on what it believes the role, if any, Racing NZ should play.

The committee supports the need for a Racing Industry Transitional Authority (RITA) to lead the change process, and is defining its role as we progress the actions on Recommendations 1 and 2. The Messara Report is silent on the need for a transitional entity. The establishment of RITA is outlined on page 123.

The work of the group will assist the committee in advising 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 report to the committee will outline what is involved in transferring racing responsibilities, how long it will take, and approximate cost. It will identify key fiscal implications, risks and benefits.

The group will report to the committee by 30 April 2019, after which it will continue to meet as required to discuss the implementation of our intended actions.
Actions completed to progress Recommendation 1
- Committee approved terms of reference for Industry Governance Project Group (PG)
- Committee secretariat prepared initial discussion paper for PG
- Project group has held two meetings, with another two scheduled

The action the committee recommends to the Minister for Recommendation 1
Approve the drafting of legislation (Bills No. 1 and 2) to allow for:
- establishment of a transitional entity (RITA) as a central vehicle to oversee/sit above the transitional environment (Bill No. 1)
- changing the governance structure, so the NZRB becomes TAB NZ, with racing responsibilities devolving to the individual codes (Bill No. 2 — post-transition governance)
- establishment of TAB NZ, focusing on its commercial activities (Bill No. 2).

The work plan for the committee to operationalise Recommendation 1

**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>
</tr>
</thead>
<tbody>
<tr>
<td>Continue with Industry Governance Project Group (PG) meetings to achieve key outcomes:</td>
<td>Report due to MAC by 30 April 2019</td>
<td>Bill No. 2 (post-transition governance)</td>
<td>Transitional governance in place to ensure additional revenue managed effectively and efficiency optimised.</td>
</tr>
<tr>
<td>• Have a clear framework/plan for the industry’s transition to its structure</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Ensure the new industry structure is cost-effective, accountable, effective and efficient</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Establish RITA as a central vehicle to oversee/sit above the transitional environment</td>
<td>Ready to commence operating by 1 July 2019</td>
<td>Bill No. 1</td>
<td>Commercially oriented entity focused on optimising returns to industry.</td>
</tr>
<tr>
<td>• Establishment of TAB NZ, focusing on its commercial activities</td>
<td>Ready to commence by 1 January 2020</td>
<td>Bill No. 2</td>
<td></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)
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)
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. Further consideration will include what racing functions devolve from NZRB as it is restructured to focus solely on its commercial activities, and what the best framework is to enable the advancement of matters of mutual concern.

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 position on Recommendation 2
The committee supports this recommendation in principle. Further consideration will include what racing functions devolve from 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 Industry Governance Project Group will give feedback to the committee
Before the committee decides whether to recommend to set up Racing NZ, the committee will await the report from the Industry Governance Project Group (PG). It is considering this recommendation in the context of Recommendation 1 (page 41).
As Recommendation 1 removes the racing functions from the NZRB — creating TAB NZ — the 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 PG’s report will give the committee clarity on the proposed purpose and functions of Racing NZ.

*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 and allied industry bodies (page 52). 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.

*Earlier legislation could provide the framework for Racing NZ’s role*

The PG is reviewing racing legislation before the Racing Act 2003. The earlier legislation set the structure and responsibilities of the New Zealand Racing Industry Board, which could shape the basis of Racing NZ.

*All three racing codes must agree on Racing NZ’s form*

The form must be acceptable to all three racing codes.

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 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 is progressing thinking around the need or otherwise of Racing NZ.

**The action the committee recommends to the Minister for Recommendation 2**

- The committee seeks no actions from the Minister at this stage.
- The committee agrees no legislative changes are needed to implement this recommendation 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 work plan for the committee to operationalise Recommendation 2

**Recommendation 2:**
Establish 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>• This recommendation is incorporated into the terms of reference and timelines for the PG under Recommendation 1.</td>
<td>Ready to commence post-transition operations from 1 January 2020</td>
<td>Bill No. 2 (if required)</td>
<td>Potential savings through collaborative code activities, i.e. shared service arrangements.</td>
</tr>
<tr>
<td>• Establishment of Racing NZ.</td>
<td></td>
<td></td>
<td></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)
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 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 (PG) will consider this recommendation, alongside its work investigating Recommendations 1 and 2.

The PG will review the Messara Report’s recommended criteria for qualifications to ensure skills, experience, and managing conflict of interest will achieve the outcomes intended in the report.

_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 questions whether a legislated requirement is necessary. The committee questions 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 is aware that NZTR recently sent an updated club constitution template out to all thoroughbred clubs, which included guidance on the diversity of board/committee members and the different skillsets required. The PG will investigate whether this template would be suitable for harness and greyhound clubs to adopt.

Actions completed to progress Recommendation 3

- The committee added consideration of this recommendation to the work of the PG.
- The Department of Internal Affairs advised on whether legislation is required.
- The committee agreed to a best-practice approach to code and club governance.
The action the committee recommends to the Minister for Recommendation 3 
It is likely that no legislation will be required as the committee’s preferred option is that the three 
racing codes specify the changes to the composition and qualifications of their boards of directors 
through their constitutions.

The work plan for the committee to operationalise Recommendation 3

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

<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>This recommendation will be considered as a subset of the PG terms of reference, by investigating best-practice models and pre-existing templates.</td>
<td>Report due to MAC by 30 April 2019</td>
<td>Bill No. 2 (post-transition governance) if required</td>
<td>Better decision-making will mean better outcomes.</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](http://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 position on Recommendation 6
The committee strongly supports this recommendation.

The committee, in consultation with the Minister’s office, has agreed terms of reference for a special review of the structure and efficacy of the racing integrity bodies, using an independent qualified person.

The committee has also extended the terms of reference for the performance and efficiency audit of the NZRB under Section 14 of the Racing Act, to include an operational cost review of the Racing Integrity Unit (RIU), Judicial Control Authority (JCA) and the New Zealand Racing Services Laboratory (the laboratory).

Under its scope, the review of the integrity bodies’ scope will:
• consider the current structure of the RIU, JCA, Appeals tribunals and the operation of the laboratory
• consider any improvements that should be made to the current integrity structure, and whether these may require legislative change
• consider measures for oversight of animal welfare
• consider integrity structures in Australian racing, and for other sporting bodies
• engage with New Zealand’s integrity bodies, the three racing codes, and key stakeholders on the strengths, weaknesses and opportunities for improving the current integrity structure
• give options for alternative structures, processes and systems, and their advantages and disadvantages.

The review will deliver a clear framework and plan for the structure, efficacy, independence and accountability of the RIU and related integrity bodies.

The framework and plan will identify the key fiscal implications, risks and benefits. It will ensure that the structure of the racing integrity bodies is as cost-effective as possible, has a high level of accountability, and operates effectively and efficiently with the wider racing industry.

Actions completed to progress Recommendation 6
• The committee has agreed draft terms of reference for the review.
• The committee has set up the review process. The terms of reference for the review will include identifying possible efficiencies, while maintaining public confidence in the integrity services.
• The committee has agreed to advise the NZRB, the racing codes and integrity bodies of the draft terms of reference.
• The committee has identified and engaged an independent qualified person to conduct the review.
The action the committee recommends to the Minister for Recommendation 6
The committee seeks no actions from the Minister at this stage

There may be legislative changes required based on the findings of the review.

The work plan for the committee to operationalise Recommendation 6

**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

<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>Undertake a special review of the structure and efficacy of the racing</td>
<td>Report due to MAC by 31</td>
<td></td>
<td>Contributes to industry sustainability through enhancing ‘social licence to operate’.</td>
</tr>
<tr>
<td>integrity bodies, using an independent qualified person.</td>
<td>May 2019 (TBC)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Receive the report of the operational cost review of the integrity bodies</td>
<td>Audit report on outcomes</td>
<td>Bill No. 2 (post-</td>
<td></td>
</tr>
<tr>
<td>within the extended scope of the S14 Performance and Efficiency Audit</td>
<td>specified due to MAC by 30</td>
<td>transition governance)</td>
<td></td>
</tr>
<tr>
<td>(Recommendation 4).</td>
<td>April 2019</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Draft legislation if necessary.</td>
<td>30 June 2019</td>
<td></td>
<td></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.

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 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 ongoing focus and concern for the racing industry.

Measures for the oversight of animal welfare will be considered in the review of racing integrity bodies covered by Recommendation 6 (page 52).

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. The system was found to be unsuitable for the needs of the industry.

The action the committee recommends to the Minister for Recommendation 16

The committee seeks no actions from the Minister.

The committee agrees no legislative changes are needed to implement this recommendation.

The work plan for the committee to operationalise Recommendation 16

<table>
<thead>
<tr>
<th>Recommendation 16:</th>
<th>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>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Actions plan</strong></td>
<td>By</td>
</tr>
<tr>
<td>Codes to submit their animal welfare strategies and policies to MAC.</td>
<td>Ongoing</td>
</tr>
<tr>
<td>Best governance structure for animal welfare will be considered under the review of integrity bodies covered by Recommendation 6.</td>
<td></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 tax 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, but further work is required to set an appropriate distribution formula.

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.

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 position on Recommendation 5
The committee supports this recommendation in principle.

A draft terms of reference has been prepared for an independent expert review of the proposed distribution models from the Messara Report and the racing code submissions.

The intent of this work is to examine more closely the various options put forward to find a distribution model that, in the view of RITA, best acknowledges the economic contribution that each code makes to generating TAB NZ profit and wider industry contribution.

The formula could be set outside primary legislation
The committee questions whether the formula needs to be set out in primary legislation. Regulations could provide a formula as a ‘fall-back’ position if the NZRB and the codes do not agree to the proposed distribution formula. If it sat outside the Racing Act, there would be more flexibility to amend the ‘fall-back’ formula.

Locking in the model for the long term gives business planning certainty. But the racing industry is dynamic, and may benefit from a formula that can easily be changed to meet market conditions.

The distribution model could be re-used
For simplicity, the distribution formula could also be used to distribute revenue from the repealed betting levy, as outlined in Recommendation 11 (page 69).

Actions completed to progress Recommendation 5
• A draft terms of reference has been prepared.

The action the committee recommends to the Minister for Recommendation 5
Approve the drafting of legislation (Bill No. 1) to allow for:
• powers to make regulations for the funding distribution formula in Section 16 of the Racing Act 2003.

Turn over for the committee’s work plan.
The work plan for the committee to operationalise 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>
</tr>
</thead>
<tbody>
<tr>
<td>Engage independent qualified person to review models from the Messara Report and the racing code submissions.</td>
<td>31 March 2019</td>
<td>Bill No. 1 (powers to make regulations)</td>
<td>Industry stakeholders are able to make investment decisions based on certainty of long-term funding model.</td>
</tr>
</tbody>
</table>
Recommendation 10 of Messara Report

Introduce Betting Information Use Charge and Point of Consumption tax 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 (Race Fields) and the Point of Consumption tax.

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.

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 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 tax (POC).

The committee agrees 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 race fields and sports information in their betting products — the Betting Information Use Charge (BIUC). Overseas betting operators who use New Zealand racing (and vision) and sports information in their betting products would pay the BIUC directly to the three racing codes and the nominated sporting organisation, as the assigned Designated Authorities.

- A Point of Consumption tax (POC) when offshore betting operators take bets from a person with a New Zealand address, irrespective of whether the bet involved New Zealand racing or sport or not. The POC would be collected by the Department of Internal Affairs as the Designated Authority, who, after deducting administration costs, would pass the balance of the tax collected on to the applicable racing code or nominated sporting organisation.

The committee also agrees that the rates should be set by the individual racing codes and nominated sporting organisations, in consultation with TAB NZ, to ensure alignment between the racing export and import product charges.
The rates for the BIUC and the POC will need to be fluid as the betting market is very dynamic in this area.

The committee believes that if the Minister agrees to introduce legislation for the BIUC and POC, it will send a strong signal to the marketplace in Australia that the legislation is going to be enacted.

This signal will provide the opportunity for the NZRB, the three racing codes and the nominated sporting organisations to progress individual commercial agreements with offshore betting operators in the meantime.

Legislation for the collection of the POC should include a regular performance and efficiency audit of the department to ensure administration is cost-effective.

The two individual measures can be progressed in parallel so neither holds up the other
The committee believes the BIUC is simpler to implement. It could be fast-tracked under Bill No. 1.

As the POC is a tax, advice received by the committee indicates it may be more complex to set up. It can be progressed at the same time as the BIUC but may take longer to implement.

Operational planning is under way
Work is being planned to be done on the operational and process detail as to how the BIUC and POC actually work in the Australian marketplace, to ensure New Zealand meets the market to optimise this revenue opportunity for the New Zealand racing industry and sporting codes.

This work may be included in an extended scope of the performance and efficiency audit of the NZRB under Section 14 of the Racing Act (Recommendation 4, page 79). The NZRB and NZTR have already provided some initial information to the committee on the BIUC and POC.

Actions completed to progress Recommendation 10
- The committee has decided on who the designated authorities should be, those being the three racing codes and the designated sporting organisation for the BIUC, and the Department of Internal Affairs for the POC.
- The department has advised on timing and potential barriers for the legislation to be enacted.

The action the committee recommends to the Minister for Recommendation 10
Approve the drafting of legislation (Bill No. 1) to allow for:
- a Betting Information Use Charge — BIUC
- a Point of Consumption tax — POC
- noting that the rates for the BIUC and POC are to be flexible, and to be set by the approved designated authorities in consultation with TAB NZ.

The committee considers this is an important step for the industry and recommends it is given appropriate legislative priority.

The committee will continue to work with the department to ensure that optimum flexibility in setting and changing the rates is allowed for to meet the market conditions.
The work plan for the committee to operationalise Recommendation 10

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

<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>Draft legislation in Bill No. 1 to allow for Betting Information Use Charge (BIUC) and Point of Consumption tax (POC) to be introduced.</td>
<td>By 31 March 2019</td>
<td>Bill No. 1</td>
<td>BIUC and POC revenue starts accumulating as soon as possible.</td>
</tr>
<tr>
<td>Committee conducts further analysis (and if necessary commissions further research) on the market and options for scheme administration for inclusion in its final report.</td>
<td></td>
<td></td>
<td></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 position on Recommendation 11**

The committee strongly supports this recommendation.

The money — estimated in the Messara Report as $13 million a year — would inject much-needed funds into the industry.

The committee will work on implementing this recommendation in two stages — setting the framework to collect the betting levy, 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.

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.

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

If adopted, this strategy would be of enormous assistance in creating positive momentum for the significant reform programme the racing industry has in front of it.

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

A mechanism will need to be set up so the levy can continue to be collected, and paid to the three racing codes and the various NSOs on an agreed distribution basis, instead of to Inland Revenue.

We consider the rate of the levy could be set in regulation, like the ACC levy, rather than through primary legislation.

The initial rate will be the same as at present, and expressed as a percentage — 4% of betting profits.

The Department of Internal Affairs is working with Inland Revenue to determine the best option to enable this change.

**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>
</tr>
</thead>
<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>
</tr>
</tbody>
</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 will 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.

This could be the same model as used for Recommendation 5, amending the Section 16 formula for distributing TAB NZ surpluses to the three racing codes (page 61).

The committee agrees in principle with Sport New Zealand’s submission that sporting codes should receive a portion of the levy that relates directly to that of a sports bet.

Actions completed to progress Recommendation 11
- The Department of Internal Affairs has liaised with Inland Revenue, who will lead any work to repeal the betting levy.

The action the committee recommends to the Minister for Recommendation 11
Approve drafting of legislation to allow for:
- repeal of the betting levy and replacement with regulations to allow for a collection and disbursement mechanism
- further regulations to set an appropriate formula once the committee has undertaken further work on the distribution model and how to take economic contribution into account.

*Turn over for the committee’s work plan.*
The work plan for the committee to operationalise Recommendation 11

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

<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>Draft legislation to allow for repealing and replacement of the betting levy with regulations to allow for a collection and disbursement mechanism.</td>
<td>30 June 2019</td>
<td>Bill No. 1</td>
<td>Levy starts accumulating from 1 July 2019.</td>
</tr>
</tbody>
</table>

Further work required on distribution model and whether an ‘economic contribution’ element should be factored in.
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 Recommendation 17 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 position on this recommendation**
The committee supports Recommendation 17 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 report are implemented and successfully increase net revenue.

The action the committee recommends to the Minister for Recommendation 17
The committee seeks no actions from the Minister at this stage.

The committee agrees no legislative changes are needed to implement this recommendation.

**The work plan for the committee to operationalise Recommendation 17**

**Recommendation 17:**
*Increase thoroughbred prizemoney to over $100 million per annum through a simplified payment model*

<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>RITA will request future prizemoney policy information from the three racing codes in due course to make sure they align with Recommendation 17.</td>
<td></td>
<td></td>
<td>A prizemoney structure that increases participation, increases field sizes, and generates revenue growth.</td>
</tr>
</tbody>
</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 wagering 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, and considers that an audit must start as soon as possible. The information it will produce will affect the evaluation of whether all or some of the commercial activities of TAB NZ are outsourced or not (Recommendation 7, page 82).

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 position on Recommendation 4

The committee strongly supports this recommendation, and considers that an audit must start as soon as possible. The information it will produce will affect the evaluation of whether all or some of the commercial activities of TAB NZ are outsourced or not (Recommendation 7, page 82).

The NZRB is due this year for its 5-yearly performance and efficiency audit, conducted under Section 14 of the Racing Act 2003. Under the committee’s guidance, the NZRB is going ahead with this audit. The committee has drafted specific additional terms of reference for the audit to capture information on the NZRB’s operating costs and other related matters, and these will be submitted for the Minister’s approval shortly.

From the audit, the committee will gain a clear understanding of:

- the operating costs of the NZRB
- the financial position of the current commercial activities of the NZRB
- any impact on costs arising from the roles, functions and responsibilities identified as devolving from the NZRB to the three racing codes, Racing NZ and any other appropriate entity, from the work currently being undertaken by the Industry Governance Project Group (see Recommendation 1, page 41)
- the current and projected future equity position of the NZRB
- the business case for the Fixed Odds Betting platform, in comparison to:
  - the actual capital cost
  - the current and projected fiscal impact.
As outlined in its terms of reference, the Racing Industry Outsourcing Evaluation Committee (RIOEC) will use information on the financial position of the current commercial activities of the NZRB when assessing options.

The committee also supports extending the scope of the NZRB’s performance and efficiency audit to include:

- a review of the distribution model in Section 16 of the Racing Act 2003 for distributing NZRB surpluses to the three racing codes, and consideration of a new distribution model that would better recognise the relative economic contribution of the three racing codes (see Recommendation 5, page 61)
- an operational costs review of the integrity bodies including the Racing Integrity Unit, Judicial Control Authority and the New Zealand Racing Services Laboratory (see Recommendation 6, page 52).

Actions completed to progress Recommendation 4

- The committee has prepared a draft terms of reference for the audit.
- Once the terms of reference are confirmed, the committee and the NZRB will then appoint an auditor to carry out the work.

The action the committee recommends to the Minister for Recommendation 4

- Agree to the expanded terms of reference for the Section 14 audit — to be undertaken as soon as possible.
- Agree to the appointment of an auditor.

The work plan for the committee to operationalise 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**

<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>MAC to review the audit report once it is completed.</td>
<td>30 April 2019</td>
<td>Bill No. 2 (if required)</td>
<td>Ensures new entity is designed to be fit for purpose.</td>
</tr>
<tr>
<td>Draw upon information provided in audit report in considering establishment and operations of TAB NZ and devolution of functions to the codes.</td>
<td>Over transition period – 2020 calendar year</td>
<td></td>
<td></td>
</tr>
</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)
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. A terms of reference has been prepared.

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 position on Recommendation 7
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. A terms of reference has been prepared.

A sub-committee will evaluate the outsourcing option and negotiate agreements
The RIOEC will consider and analyse the options for outsourcing in more depth. RIOEC will also consider what the best option is to test the market, whether that be 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 outcome is to determine the best solution to deliver significant growth in revenue over the long term for the New Zealand racing industry.

The committee will await the RIOEC’s report before considering what the best course of action is.
Key people form the RIOEC membership
RIOEC members will include the chair of the Ministerial Advisory Committee, who will also chair 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 as the primary external expert to assist with the bid process, and in particular overseeing the interface between the RIOEC and those who have made a bid.

The RIOEC will consider broadcasting and gaming
The outsourcing evaluation process will also consider whether the NZRB’s broadcasting and gaming operations should be outsourced or retained, and if retained, under what sort of structure it could operate.

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.

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 the following:

• Would the Minister decide on 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) and Phonebet services, in an outsourced model?

• Strong controls and clauses will need to be included in any potential outsourcing agreement to protect the revenue streams and integrity functions of the New Zealand racing industry over the long term. Such controls must include:
  o a commitment to maintaining the importance and relevance of New Zealand racing in the domestic and Australian marketplace
  o targeted marketing strategies to attract more Australian customers to bet on New Zealand races
  o allocation of a prime position in the Australian race clock scheduling, including adequate lead-in times
  o a commitment to deliver strong and sustainable revenue growth
  o 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, RIU vision services, and other services where applicable.

What the RIEOC has to protect against, at all cost, 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.

The RIOEC will report to the committee to confirm the best way forward

The RIOEC will provide an interim report to the committee by 30 June 2019.

The report will include an initial view of the best of the following three options that the Messara Report proposed:

- retaining the status quo
- outsourcing discrete business functions of the NZRB’s operations, such as fixed odds betting
- outsourcing the NZRB’s full commercial operations.

The best option must achieve the optimum value proposition over the long term for the racing industry.

The RIOEC will also consider:

- ownership and assignment of intellectual property (see Recommendation 9, page 94)
- a strategy for taking the NZRB’s commercial activities to market
- evaluation and selection of the preferred bidder.

The report will cover fiscal implications, risks and benefits.

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 over the next 12–18 months so that the legislation makes 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 (after 1 July 2019) 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 action the committee recommends to the Minister for Recommendation 7
Approve the drafting of legislation (Bill No. 2) to allow for:

- making legislative provision for outsourcing the NZRB’s commercial activities, or providing for variations on this proposal.

The work plan for the committee to operationalise Recommendation 7

<table>
<thead>
<tr>
<th>Recommendation 7:</th>
<th>Begin negotiations for the outsourcing of the TAB’s commercial activities to an international wagering operator, to gain the significant advantages of scale</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Actions plan</strong></td>
<td><strong>By</strong></td>
</tr>
<tr>
<td>Commence Racing Industry Outsourcing Evaluation Committee (RIOEC) meetings with the NZRB and the codes.</td>
<td>6 March 2019 Preliminary report (including specifications for any external due diligence on the outsourcing options) due to MAC by 30 June 2019</td>
</tr>
<tr>
<td>Draft legislative framework for governance and form of:</td>
<td></td>
</tr>
<tr>
<td>• RITA — enabling it to take any necessary decisions during the transition period</td>
<td></td>
</tr>
<tr>
<td>• TAB NZ — enabling it to advance matters still under consideration at commencement.</td>
<td></td>
</tr>
<tr>
<td>MAC makes recommendations to RITA on scope and timing of work to be done by RIOEC or external due diligence consultant.</td>
<td>By 30 June 2019</td>
</tr>
</tbody>
</table>
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 eSports.
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 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 betting (betting on racing and sports events) and gaming products. This would help grow the racing industry’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 specific new betting products that give the racing industry the ability to conduct in-race betting and to conduct betting on sports not represented by a qualifying domestic NSO (where there is an agreement in place with Sport New Zealand).

In addition, the committee also strongly supports the approval of new betting products, including virtual racing. We strongly support 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, and which also benefit numerous sporting organisations.

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 their 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% 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’ policy.

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.

The action the committee recommends to the Minister for Recommendation 8
Approve the drafting of legislation (Bill No. 1) to make changes to:
• enable in-race betting on the outcome of races
• conduct betting on sports where there is no agreement with a national sporting organisation.

Approve the drafting of legislation (Bill No. 2) to:
• allow for new betting and gaming products, including virtual racing, to be introduced following an appropriate approval process
• amend Section 55 of the Racing Act 2003 to enable the NZRB/TAB NZ to offer betting on all offshore sporting events
• 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.
The work plan for the committee to operationalise Recommendation 8

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

<table>
<thead>
<tr>
<th>Actions plan</th>
<th>By Include in Bill number</th>
<th>Revenue impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Draft legislative framework to include new betting and gaming products:</td>
<td></td>
<td>Will help grow the industry’s revenue and customer base, and for TAB NZ to be</td>
</tr>
<tr>
<td>• Bill No. 1 — Conduct in-race betting and betting on sports where there is no NSO, through an agreement with Sport New Zealand.</td>
<td></td>
<td>truly internationally competitive by being able to offer the same range of betting and gaming products as offshore operators.</td>
</tr>
<tr>
<td>• Bill No. 2 — to allow for new betting and gaming products (including virtual racing) to be introduced following an appropriate approval process, remove legal restrictions in S33 (3) of the Gambling Act, and allow betting on all overseas sports events.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
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.

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 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.

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 ability to broadcast the race meetings 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 (RIOEC) 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 be required to resolve the issues of IP ownership and assignment, so the industry can optimise the value proposition in regard to 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 field, each horse’s name, 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. A regulation may be required to ensure that all clubs must assign their IP to the codes, and the codes must assign that IP to a domestic betting operator, and, where agreements are in place, to other offshore betting operators.
**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 action the committee recommends to the Minister**

Note that the RIOEC may recommend to the committee that a regulation is required to determine the IP ownership issue and assignment rights.

**The work plan for the committee to operationalise Recommendation 9**

<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>First meeting of RIOEC</td>
<td>6 March 2019</td>
<td></td>
<td>Clarity on IP allows codes and TAB NZ to maximise commercial activities.</td>
</tr>
<tr>
<td>Draft terms of reference for RIOEC include as a key outcome:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• resolution of the intellectual property (IP) ownership and assignment issues so the racing industry can optimise the value proposition in regard to race field information and broadcast rights, and assignment of those rights.</td>
<td>Interim report due to MAC by 30 June 2019</td>
<td>Bill No. 2 (if required)</td>
<td></td>
</tr>
</tbody>
</table>
Consolidating venues and clubs

*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 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](http://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 position on Recommendation 12
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.

Where a club does not meet agreed criteria, the committee recommends a transparent process to be followed before any action is taken to place a club into administration.

Therefore, only clubs that did not meet the criteria, or engage in the process after all the appropriate consultation and processes had been followed, could be placed into administration.

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

The process and criteria will be established as part of the terms of reference for the Industry Future Venue Plan Group.

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, subject to provisions in their constitutions dealing with disposal (usually on wind-up of the club).

Therefore, clarification in legislation may be required to confirm the mechanism and process to be followed, to 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 enter the club into administration and then deal with the 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 committee sought advice from the Department of Internal Affairs on the current provisions in the Racing Act or regulations that handle scenarios where racing stops at a club-owned venue.
- The department provided initial advice on responding to such scenarios, and said that implementation of changes, if agreed to by Cabinet, should be considered for Bill No. 2.

The action the committee recommends to the Minister for Recommendation 12

The committee requires no action from the Minister at this stage, pending the outcome of the work being undertaken by the Industry Future Venue Plan Group.

The work plan for the committee to operationalise 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

<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 principle of this recommendation will be incorporated into the terms of reference for the Industry Future Venue Plan Group under Recommendation 13.</td>
<td>Report due 31 December 2019</td>
<td>Bill No. 2 (if required)</td>
<td>Redistribution of industry capital to drive revenue growth and reduction in venue operating costs.</td>
</tr>
</tbody>
</table>
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 (IFVP) — made up of representatives from the committee, NZRB and the three racing codes — should be the group to progress the development of a multi-year Industry Future Venue Plan, and report back to the committee.

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 position on Recommendation 13**
The committee supports a joint-industry approach to this recommendation. The committee agrees that the Industry Future Venue Plan Group (IFVP) — made up of representatives from the committee, NZRB and the three racing codes — should be the group to progress the development of a multi-year Industry Future Venue Plan, and report back to the committee.

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. The committee 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 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.
The committee notes that NZTR released its own NZTR Venue Plan on Tuesday 29 January 2019, but considers that this release should not preclude the Industry Future Venue Plan Group progressing an industry venue plan, with a fully integrated approach. It should be noted that the NZTR Venue Plan differs from the Messara Report Venue Plan.

The Industry Future Venue Plan Group will need to show the industry where the actual value is from closing venues, and racing more often at the remaining venues. Clarity and transparency are also needed on what mechanism is being used to measure the cost to the industry for a venue to remain open, rather than just work towards a pre-determined number.

Actions completed to progress Recommendation 13

- The committee has developed terms of reference to re-establish the Industry Future Venue Plan Group.
- The Industry Future Venue Plan Group is planning to have its first meeting before the end of March to confirm the terms of reference, and start to develop a multi-year Industry Future Venue Plan.
- The issue over the industry being able to use funds generated from the sale of freehold racing venues that are scheduled for closure is being dealt with under Recommendation 12 — vesting of race club property (page 101).

The action the committee recommends to the Minister for Recommendation 13

The committee seeks no actions from the Minister at this stage.

The work plan for the committee to operationalise Recommendation 13

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

<table>
<thead>
<tr>
<th>Actions plan</th>
<th>By</th>
<th>Include in Bill number</th>
<th>Revenue impact</th>
</tr>
</thead>
</table>
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)
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)
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)
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 will include the work required for this recommendation in the Industry Future Venue Plan Group (IFVP) terms of reference.

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.

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 position on Recommendation 14
The committee will include the work required for this recommendation in the Industry Future Venue Plan Group (IFVP) terms of reference.

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 to invest in the facilities and tracks at the remaining venues.

The process and criteria will be established as part of the terms of reference for the Industry Future Venue Plan Group.

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, subject to provisions in their constitutions dealing with disposal (usually on wind-up of the club).

Therefore, clarification in legislation may be required to confirm the mechanism and process to be followed, to 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 enter the club into administration and then deal with the distribution of any funds as part of that process.

Actions completed to progress Recommendation 14
Draft terms of reference have been completed and will be discussed with the Industry Future Venue Plan Group.

The action the committee recommends to the Minister for Recommendation 14
The committee requires no action from the Minister at this stage, pending the outcome of the work being undertaken by the Industry Future Venue Plan Group.

Turn over for the committee’s work plan
The work plan for the committee to operationalise 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.

<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 principle of this recommendation will be incorporated into the terms of reference for the Industry Future Venue Plan Group under Recommendation 13.</td>
<td>Report due 31 December 2019</td>
<td>Bill No. 2 (if required)</td>
<td>Redistribution of industry capital to drive revenue growth and reduction in venue operating costs.</td>
</tr>
</tbody>
</table>
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 will be 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 follow 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.

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 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 will be 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 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 primarily being dealt with as part of the workstream associated with Recommendation 12 (page 101).

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.

The committee also supports the concept of a Waikato Greenfields facility. However, we strongly recommend that a feasibility study is conducted considering all options, including the redevelopment of Te Rapa as a racing centre of excellence, or the construction of a new tri-code or single-code venue. No option has been discarded or adopted at this early stage, and more work needs to be done in relation to what would be the best outcome.

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 will be able to get horses fit by training and trialling on synthetic tracks.

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.

Actions completed to progress Recommendation 15
- At this stage the committee has not formed a view on the exact number, location and use of synthetic tracks in New Zealand.
- The committee has, however, sought more comprehensive information from NZTR about the proposed Cambridge Training Centre synthetic track project. The committee has subsequently met with NZTR and the Cambridge Jockey Club on-site to discuss the synthetic track project plan.
Review of the Cambridge Training Centre synthetic track project and Cambridge Jockey Club finances

To help mitigate the risks associated with this project, the committee has requested that NZTR and the Cambridge Jockey Club carry out a fully independent peer review of the synthetic track project plan and a financial review of the finances of the club.

NZTR and the club have both agreed to progress these requested reviews.

The action the committee recommends to the Minister for Recommendation 15

The committee seeks no actions from the Minister at this stage.

The committee will provide an update to the Minister when it receives the report of the peer review of the Cambridge Training Centre synthetic track project plan and the financial review of the Cambridge Jockey Club.

The committee agrees no legislative changes are needed to implement this recommendation.
The work plan for the committee to operationalise 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>MAC will engage with the Provincial Growth Fund (PGF) once the reports of the Cambridge Synthetic Track Plan peer review and the Cambridge Jockey Club financial review have been considered by MAC. The number and location of synthetic tracks will be incorporated into the Industry Future Venue Plan Group’s report.</td>
<td>On completion of both reports</td>
<td>31 December 2019</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/reduced abandonments in winter. Optimising use of industry infrastructure will maximise revenue growth.</td>
</tr>
<tr>
<td>MAC will consider facilitating an application to be made to the PGF to commence a feasibility study for the Waikato Greenfields Project. The study will consider all options, including the redevelopment of Te Rapa as a racing centre of excellence, and a new tri-code or single-code venue.</td>
<td>As soon as possible</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Establishing the Racing Industry Transitional Authority (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 committee proposes the setting up of a Racing Industry Transitional Authority (RITA), to operate from 1 July 2019. Establishing such an authority was not part of the Messara Report. However, such an authority would manage the transition of the racing industry and its wide range of stakeholders through this period of change. The industry needs a transitional authority that:

- supports the Change Management Programme
- enables initiatives that will drive revenue growth and reduce cost for the racing industry
- sets leadership and governance arrangements to give the industry the best chance of benefiting from these changes
- keeps business operating as usual.

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 would be 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 need to 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.