Report: The ‘Review of the New Zealand Racing Industry’

Summary of submissions

November 2018

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Contents

Executive summary ................................................................. 1
  Consultation process .......................................................... 1
  Submitters ............................................................................ 1
  Key themes ........................................................................... 2

Introduction ........................................................................... 4
  Summary of submitters ........................................................ 5
  Submissions from governance bodies ..................................... 6

Summary of feedback on key recommendations ..................... 10
  Recommendation 1: NZRB becomes Wagering NZ ............... 10
  Recommendation 2: Formation of Racing NZ as a consultative forum for the Codes ..... 11
  Recommendation 3: Composition and qualifications for directors of regulatory bodies .................................................. 11
  Recommendation 4: Performance and Efficiency Audit of NZRB .......................................................... 12
  Recommendation 5: Composition of the distribution formula ........................................................................ 12
  Recommendation 6: Review of the Racing Integrity Unit (RIU) ..................................................................... 13
  Recommendation 7: Outsourcing of the TAB ...................................................................................... 14
  Recommendation 8: New wagering products ................................................. 14
  Recommendation 9: Intellectual Property .................................................. 16
  Recommendation 10: Introduce Race Field and Point of Consumption Tax ................. 16
  Recommendation 11: Repeal the $13 million betting levy .................................................. 17
  Recommendation 12: Vest Race Club property and assets to Code regulatory bodies ................................................ 18
  Recommendation 13: Reduction of Thoroughbred race tracks ........................................ 19
  Recommendation 14: Upgrade facilities and tracks of remaining racecourses .......... 21
  Recommendation 15: Construct three synthetic all-weather tracks ........................................ 21
  Recommendation 16: Introduce processes for traceability from birth and the rehousing of the entire Thoroughbred herd .................................................. 22
  Recommendation 17: Increase Thoroughbred prizemoney .................................................. 22
  Additional matter of the proposed Racing Industry Transition Agency ........................................ 23

Appendix 1 ................................................................................ 24
  Overview of submissions for each recommendation .................... 24
Executive summary

1. In April 2018 the Minister for Racing, Rt Hon Winston Peters appointed senior Australian racing expert Mr John Messara to review the New Zealand racing industry's governance structures, and provide recommendations on future directions for the industry.

2. Mr Messara compiled a report, the ‘Review of the New Zealand Racing Industry’ (the Report), which included 17 key recommendations for the New Zealand racing industry. The report also included a further 46 sub-recommendations.

Consultation process

3. The Report was released by the Minister on 30 August 2018 and published on the Department of Internal Affairs (the Department) website. The public was invited to submit their views on the 17 key recommendations within the Report. The consultation period was from 13 September to 19 October 2018.

4. All submissions were reviewed individually by the Department, and relevant comments were attributed to the key recommendations. For the purposes of this report, we have included some indicative quotes from submitters, in order to provide some examples of the feedback received.

Submitters

5. A total of 1,701 submissions were received as a result of the consultation process. 1,187 of these were mostly form-style submissions relating to a single issue – a sub-recommendation related to the acquisition of class 4 gambling venue licences (i.e. gaming machines) by the racing industry.

6. The New Zealand Racing Board (NZRB) and each of the Code bodies (New Zealand Thoroughbred Racing (NZTR), Harness Racing New Zealand (HRNZ) and Greyhound Racing New Zealand (GRNZ)) provided submissions. In addition, 50 submissions were received from Racing Clubs and 17 were received from organisations within the racing industry. 112 submissions were received from organisations and groups not directly related to the racing industry and the remaining submissions came from individuals.

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1 This includes submissions that were received in the days following the consultation period. These have been included in this report for the purpose of completeness.
Key themes

7. The most significant volume of feedback received related to a sub-recommendation within the Report, which proposes removing the legal restrictions in section 33(3) of the Gambling Act 2003 that prevents the NZRB from acquiring class 4 gaming licence venues. 1,187 submissions were received, almost all of which were form-style submissions which opposed the sub-recommendation.

8. Aside from this specific issue, the remaining feedback on the Report included a significant volume of general support. 272 submissions indicated support for the overall intent of the Report. Opposition was largely directed towards specific recommendations, as opposed to general statements of opposition towards the Report.

9. An overview of the submissions can be found in Appendix 1. Feedback was received on each of the 17 key recommendations, to varying degrees. Five key recommendations generated over 100 responses:

• **Recommendation 13, reduce Thoroughbred race tracks**: 211 submissions received;

• **Recommendation 7, outsourcing the TAB**: 117 submissions received;

• **Recommendation 1, NZRB becomes Wagering NZ**: 115 submissions received;

• **Recommendation 12, vest Race Club property to Code regulatory bodies**: 105 submissions received; and

• **Recommendation 11, repeal $13 million betting levy**: 104 submissions received.

10. The five recommendations which had the most support, in terms of the percentage of submitters indicating outright or qualified support, were:

• **Recommendation 16, traceability from birth of Thoroughbred herd**: 42 submissions supported outright (98%);

• **Recommendation 6, review of Racing Integrity Unit (RIU)**: 41 submissions supported outright (95%);

• **Recommendation 3, composition and qualification for directors of regulatory bodies**: 33 submissions supported outright (78%) and 7 provided qualified support (17%);

• **Recommendation 8, new wagering products**: 38 submissions supported outright (91%); and

• **Recommendation 10, Race Field and Point of Consumption Tax**: 56 submissions supported outright (90%).
11. The three recommendations that had the least support, in terms of the percentage of submitters indicating outright opposition, were:

- **Sub-recommendation, changes to class 4 gambling**: 1,182 submissions opposed outright (1,079 submissions came via online form) (99%);
- **Sub-recommendation, changes to National Sporting Organisations (NSOs)**: 59 submissions opposed outright (94%); and
- **Recommendation 12, vest Race Club property to Code regulatory bodies**: 69 submissions opposed outright (66%).
Introduction

12. Over the last decade New Zealand’s $1.6 billion racing industry has been in decline. In April 2018 the Minister for Racing, Rt Hon Winston Peters appointed senior Australian racing expert Mr John Messara to review the New Zealand racing industry's governance structures, and provide recommendations on future direction for the industry.

13. Mr Messara compiled a report, the ‘Review of the New Zealand Racing Industry’ (the Report), which included 17 key recommendations for the New Zealand racing industry. The report focused on the core themes of: governance; finance and distribution to the Codes; the Racing Amendment Bill 2017; wagering and the TAB; and clubs, racecourses and prizemoney. Within these areas there were a further 46 sub-recommendations, some of which closely relate to the 17 key recommendations.

14. The Minister released the Report on 30 August 2018 and it was made available to the public on the Department of Internal Affairs (the Department) website. This report is a summary of the submissions received during public consultation on the Report. It focuses on feedback to the 17 key recommendations, however notes feedback concerning any of the sub-recommendations where a significant volume of submissions were received.

Key recommendations of the Messara Report

1) Change the governance structure, so the NZRB becomes Wagering NZ with racing responsibilities devolved to the individual Codes. This will sharpen the commercial focus of TAB operations and improve the decision-making and accountability of the Codes.

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 and research, etc.

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

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.

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

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.

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

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

9) Confirm the assignment of Intellectual Property (IP) by the Clubs to the Codes.
10) Introduce Race Field and Point of Consumption Tax legislation expeditiously. These two measures will bring New Zealand's racing industry into line with its Australian counterparts and provide much needed additional revenue.

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.

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

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.

14) Upgrade the facilities and tracks of the remaining racecourses with funding 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.

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.

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.

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.

Summary of submitters

15. 1,701 submissions were received as a result of the consultation process.²

16. The Department received 1,187 mostly form-style submissions relating to the class 4 gambling sector on one sub-recommendation within the Report. A further 36 form-style submissions were received from individuals from within the Greyhound sector. These related to three issues (the recommendation to establish Racing NZ, the recommendation related to the Section 16 distribution formula, and the proposed establishment of a Racing Industry Transition Agency³ (RITA)).

17. The NZRB and each of the Code bodies (NZTR, HRNZ and GRNZ) provided submissions. In addition, 50 submissions were received from Racing Clubs, and 17 were received from organisations within the racing industry. 112 submissions were received from organisations and groups not directly related to the racing industry and the remaining submissions came from individuals.

² This includes submissions that were received in the days following the consultation period. These have been included in this report for the purpose of completeness.

³ This was not a recommendation of the Messara Report.
Submissions from governance bodies

18. The Report proposed significant changes to the governance and operation of the NZRB and the Code bodies (NZTR, HRNZ and GRNZ). A summary of their responses to the key recommendations are noted below.

New Zealand Racing Board

19. The NZRB supported many of the Report’s recommendations. It agreed that the status quo is unsustainable. It shared the Report’s aspiration of a “cycle of revitalisation”. This involves higher stakes, which leads to better returns and the modernisation of racing infrastructure, which will all help to create greater interest and demand in the racing industry.

20. However, the NZRB believed that many of the required reforms can be best achieved through existing initiatives. These include the NZRB’s Future Venue Plan and ongoing assessment of the potential outsourcing of the TAB (Project Desert Gold).

Position on the key recommendations

21. The NZRB supported the:
   • the creation of Wagering NZ and Racing NZ;
   • introduction of Race Fields and Point of Consumption Tax legislation; and
   • repeal of the annual $13 million betting levy.
22. The NZRB also agreed that the number of race venues needs to be reduced. However, it did not support centralising the ownership of race venues with the Codes. It also believed that these changes should be progressed through the Future Venue Plan.

23. The NZRB stated that a thorough commercial assessment needs to be undertaken on the potential outsourcing of the TAB. It believed that outsourcing should only occur if it is firmly shown to be in the long-term interests of New Zealand racing.

24. The NZRB supported in part the recommendation to amend the Section 16 distribution formula. It supported the development of a more equitable distribution formula, but believed the proposed formula will not stand up to scrutiny from the three Codes.

25. While not a recommendation within the Report itself, the NZRB did not support the establishment of a separate RITA. NZRB believed it can undertake the transition role through its existing mandate.

**New Zealand Thoroughbred Racing**

26. NZTR strongly supported the principles underpinning the Report. It also strongly supported the establishment of RITA and believed radical reform of the racing industry is urgently required. NZTR stated that the statutory arrangements for the industry are preventing thoroughbred racing from developing and reaching its economic potential.

**Position on the key recommendations**

27. NZTR strongly supported the majority of the key recommendations, including the creation of Wagering NZ and Racing NZ, the revised Section 16 distribution formula and outsourcing of the TAB.

28. It also supported, in principle, the proposed reduction in race venues. However, the NZTR believed that final decisions about the number of venues should be made by the relevant Codes.

29. NZTR considers that the recommendation to vest Club property and assets to the Code regulatory bodies 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.

30. NZTR supported the creation of RITA “to guide the industry through this period of radical change”.

**Harness Racing New Zealand**

31. HRNZ supported the overall direction of the Report and the majority of its recommendations. However, it believed that some of the recommendations are inequitable and do not support the long-term financial sustainability of New Zealand racing.

32. HRNZ is particularly concerned about the proposed governance structure for Racing NZ. HRNZ believed this would give absolute control to the Thoroughbred Code and views this as unacceptable.
Position on the key recommendations

33. HRNZ believed that:
   • Code distribution should be based on 50% domestic Gross Betting Revenue (GBR), 25% on combined domestic and international GBR and 25% based on Code contribution to the economy;
   • a full review of all options associated with the wider outsourcing and licencing of NZRB wagering was warranted;
   • the existing Future Venue Plan is the best mechanism to achieve a reduction in race venues; and
   • while funding the proposed capital expenditure from the sale of land and assets of closed race courses is a Thoroughbred Code issue, the impact on joint Thoroughbred/Harness tracks must also be considered.

34. HRNZ also believed that RITA is not needed, and that its objectives are best achieved through a transitional NZRB.

Greyhound Racing New Zealand

35. GRNZ supported, in principle, many of the Report’s recommendations. However, it believed that the Report is inherently biased towards the needs of the Thoroughbred Code. GRNZ, like HRNZ, stated that the proposed governance model for Racing NZ would unfairly give absolute control to the Thoroughbred Code.

Position on the key recommendations

36. GRNZ supported:
   • the immediate introduction of Race Field and Point of Consumption Tax legislation; and
   • the repeal of the existing betting levy but it opposed the proposed distribution split.

37. GRNZ supported, in principle:
   • NZRB becoming Wagering NZ. GRNZ would, however, seek one-off funding to enable it to undertake its newly devolved functions;
   • negotiations for outsourcing the TAB. However noted that this requires careful assessment and Code involvement; and
   • the proposed reduction in race venues but believed this should be achieved through the NZRB Future Venue Plan.

38. GRNZ did not support the proposed Section 16 distribution formula, or the fixed 10-year term, proposing instead funding be based on Code contribution to wagering profitability from both domestic and international wagering, and an initial term of 2-3 years.
39. GRNZ believed that the NZRB and the Codes are best placed to manage the transition collaboratively, and that this can be managed within the existing NZRB/Code framework. They noted that the NZRB Board is due for a major renewal and suggested that new Directors could be used as the vehicle for assisting the industry with change.
Summary of feedback on key recommendations

40. An overview of the submissions can be found in Appendix 1. The summary of feedback in the following sections for each of the key recommendations is based on submissions that specifically reference the recommendations. General support or opposition to the report in its entirety is not included in the figures below.

Recommendation 1: NZRB becomes Wagering NZ

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.

41. 115 submissions were received on this recommendation. 46 submissions supported outright the new governance structure, and a further 56 submissions appeared to provide qualified support. Five opposed the recommendation, and a further eight provided additional comments, largely concerning the current performance of the NZRB.

42. Submissions in support largely recognised the importance of giving each of the Codes autonomy to manage their own area of racing, and separating Wagering NZ to focus on the TAB functions.

43. A further 50 submissions from the sports sector appeared supportive of this recommendation, in that they did not oppose the creation of Wagering NZ, but suggested an alternative structure to the new governing body. These submissions stated the Report did not recognise the sports sector as a key stakeholder, and the increasing financial contribution sports betting provides to NZRB. Some submissions also noted the added value of having an individual with sporting expertise within Wagering NZ. To remedy this, they proposed Wagering NZ be comprised of an independent Chair, representatives from the three racing Codes, a representative from the sports sector, and three independent members (or a variant of this structure).

44. The submitters who opposed this recommendation largely cited problems with the name (too large a focus on wagering, when there is more to racing than betting), issues devolving regulation to the Codes (in particular a lack of ‘credible oversight’), and concerns the new structure will create increased competition between the Codes.
Recommendation 2: Formation of Racing NZ as a consultative forum for the 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 and research etc.

45. 91 submissions were received on this recommendation. 28 submissions supported the establishment of Racing NZ outright, with little comment beyond a clear statement of support. A further 21 appeared to provide qualified support, not opposing the creation and purpose of Racing NZ, but rather the proposed structure. 42 submissions opposed this recommendation outright.

46. Opposition to Racing NZ was focused on the composition of the new forum; there was a strong belief from the submitters that the proposed structure would unfairly favour the Thoroughbred Code (with two members and the Chair with the casting vote nominated from the Thoroughbred sector). A submitter noted that this structure “is wrong and locks the two other Codes into a system that they have no control over”.

47. A number of submitters suggested alternative structures for Racing NZ, believing in order to ensure the Codes work cooperatively and maintain a balance of power, an independent member was required. A common proposal was for there to be two representatives nominated from the Thoroughbred Code, one from both the Greyhound and Harness Codes, and an independent Chair. These comments mirrored many of those from submitters who were firmly against this proposal.

Recommendation 3: Composition and qualifications for directors of regulatory bodies

Change the composition and qualifications for directors of regulatory bodies

48. 42 submissions were received on this recommendation. 33 submissions supported this recommendation outright, and a further seven appeared to provide qualified support. There were no submissions that stated any specific opposition, and two provided neutral comment and questioned the need for this recommendation.

49. There was a general consensus that improving the quality and composition of the directors of regulatory bodies was a positive change. Many submissions simply noted that they “supported in full” or “strongly support” this recommendation.
**Recommendation 4: Performance and Efficiency Audit of NZRB**

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

50. 47 submissions were received on this recommendation. A significant majority, 39 submissions, supported the recommendation outright, with many simply stating they "fully support" the recommendation.

51. Two submissions opposed the recommendation outright, and six provided other suggestions and comments. A majority of these questioned whether the Performance and Efficiency Audit was required, in light of the proposed changes to the governance structure.

**Recommendation 5: Composition of the distribution formula**

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

52. 93 submissions were received on this recommendation. 33 supported the new distribution formula outright, and a further eight appeared to provide qualified support, approving the 10-year fixed term but opposing the distribution formula. 49 submissions oppose this recommendation outright, and a further three made additional comments on distribution between the Codes, without supporting or opposing this recommendation.

53. Of those submitters who supported the recommendation, little comment was provided beyond a clear statement of support.

54. Of those submitters who opposed this recommendation, their concerns related to whether the proposed distribution formula would reflect each of the Codes economic contribution and be equitable.

55. A number of these comments were received from members of the Greyhound Code which suggested the proposed distribution formula supports “revenue and not profitability” and “ignores costs” thereby also damaging the other Codes. They argued that this model favours the Thoroughbred Code which has the highest level of revenue but has also experienced increasing costs. Hence they suggested a more holistic model as this would ensure a more equitable distribution of the profits between the Codes.
Distribution of funds to National Sporting Organisations

56. 49 submissions were received in response to a related sub-recommendation within the Report, which refers to the distribution of funds to National Sporting Organisations (NSOs). The sub-recommendation is to ‘Allow the NZRB (Wagering NZ) to operate on all sporting events…and make payments to sports based on minimum payments prescribed under section 57 of the Act’\(^4\).

57. All 49 submitters believed the proposed distribution formula should be changed. 48 of the 49 submissions used very similar arguments and language. The Report suggests a new formula to distribute profits that better reflects each Code’s contribution to the profitability of NZRB. They argued 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".

58. These submissions refer to the formula that was proposed in the recently withdrawn Racing Amendment Bill 2017, which would provide sport 26% of net betting revenue. Due to the increase in betting on Codes other than racing, these submissions argue for the introduction of this formula.

Recommendation 6: Review of the Racing Integrity Unit (RIU)

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

59. 43 submissions were received for this recommendation. 41 submissions supported this recommendation outright, and two opposed it.

60. A number of submissions noted that they “strongly support” this Report, and that a well-functioning RIU was required to “keeping the racing industry transparent”. One submission stated the rationale for this recommendation was robust as “a sound integrity system and strong animal welfare protocols are fundamental to the sustainability of racing and wagering and the wider community’s support for the industry”.

61. The two submitters who opposed this recommendation noted how they did not understand the potential benefit(s) of reviewing the RIU.

\(^4\) Refer p.32 of the Report.
Recommendation 7: Outsourcing of the TAB

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

62. 117 submissions were received on this recommendation. 36 supported outsourcing the TAB outright, and a further 50 appeared supportive of outsourcing but raised a number of concerns to be addressed if it were to proceed. 20 submissions opposed the recommendation outright, and a further 11 submissions raised additional matters or suggestions, including the introduction of overseas betting operators into New Zealand.

63. Submitters in support of outsourcing the TAB focussed on the belief that the current model is broken, and major change is required. Many submitters commented on the importance of urgency of outsourcing.

64. 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. A number of submitters noted their support for the current joint industry approach, Project Desert Gold. Other concerns raised included:

- the inability to reverse the decision at a later date;
- the potential loss of control regarding race schedules, as schedules may be altered to suit overseas audiences. There was concern from many submitters that the quality of race coverage will be reduced; and
- that sporting organisations have raised concerns they may lose the strong relationship they have developed with the NZRB, and there is a lack of certainty regarding the monitoring of integrity related issues.

65. Submitters opposed to this recommendation noted their objection to outsourcing to Australia, specifically raising concerns about loss of control, as well as questioning the benefit of this decision in the long term.

Recommendation 8: New wagering products

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

66. 42 submissions were received on this recommendation. 38 supported outright the approval of the new wagering products proposed within the report, virtual racing and ‘in-the-run’ betting. Three submissions opposed, and one submitter supported new betting options as opposed to new products.

67. Comments from submitters who supported the recommendation included an acknowledgment that many of these products are already available online, and new products would provide much needed funds for the industry.
68. The three submissions opposing this recommendation were concerned with the potential harm new gambling products could bring. One community organisation noted "These sorts of initiatives are hardly in keeping with the harm prevention and/or harm minimisation expectations currently placed on all forms of gambling here in NZ". The Problem Gambling Foundation argued there must be an understanding of the increase in people accessing problem gambling services, before any new products are introduced.

**Response to two related sub-recommendations**

69. Within the Report Mr Messara makes two additional sub-recommendations which would also provide an increase in revenue for the racing industry, alongside the recommendation for new wagering products (virtual racing and 'in-the-run' betting). A high number of submissions were received in relation to these sub-recommendations, which are:

- removing legal restrictions in section 33(3) of the Gambling Act that prevent the NZRB (Wagering NZ) from acquiring class 4 gaming licence venues; and
- conducting betting on sports where there is no agreement with a National Sporting Organisation (NSO).

**Opposition to changes to Class 4 gambling**

70. 1,187 submissions were received on the sub-recommendation to remove the legal restrictions to allow the NZRB (Wagering NZ) to acquire class 4 gaming licence venues. This was strongly opposed, with only five submitters supporting this change. Support for this change largely came from the Code bodies.

71. The vast majority of the opposing submissions, 1,079, came via an online form where submitters could outline their position on the proposed changes. The submissions came from charities, schools, volunteer organisations, community groups and sports clubs who rely on class 4 funding to provide services to the community, and from individuals, many of whom benefit as a result.

72. Key themes raised by submitters included:

- the difficulties in fundraising and the importance of class 4 funding, 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's 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 the funding to one particular group that actually encourages this"; and

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5 Refer p.42 of the Report.
• the benefit provided to communities through funding recipient charities and sports clubs cannot be underestimated, particularly in regards to health, mental health and wellbeing. 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

73. 63 submissions were received on the sub-recommendation to remove the requirement for NSOs to allow gambling on their sport, before this can occur. Four submitters supported this change outright, while 59 submitters explicitly opposed it.

74. The majority of those opposing this change were 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 was removed.

Recommendation 9: Intellectual Property

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

75. 43 submissions were received on this recommendation. 32 submissions supported the assignment of IP from the Clubs to the Codes. Four submissions opposed the recommendation, preferring IP to remain with the Clubs or proposing an alternative. A further seven submissions provided additional comments, in particular the need for the involvement of Clubs in any decision regarding IP.

76. Of those supporting the recommendation, little comment was provided beyond a clear statement of support, or support on the basis of what they understood IP to be. A small number of the submitters who supported the recommendation believed further clarity was required in this regard.

Recommendation 10: Introduce Race Field and Point of Consumption Tax

Introduce Race Field and Point of Consumption Tax legislation expeditiously. These two measures will bring New Zealand’s racing industry into line with its Australian counterparts and provide much needed additional revenue

77. 62 submissions were received on this recommendation. 56 supported outright the introduction of Race Field and Point of Consumption Tax legislation. Only one submission opposed the recommendation, and an additional five submissions provided other comments, including the request for further analysis and discussion.
78. There was a general consensus for urgency in introducing this legislation. A common sentiment expressed by submitters was their view that the decision to withdraw the Racing Amendment Bill had cost the industry. In contrast, two submissions commented that the withdrawal of the Bill ensures appropriate consideration of the legislative changes required, as one stated "in order to introduce complete and harmonious legislation".

Response to related sub-recommendation

79. Ten submissions made reference to the role of Designated Authority, which is described within a sub-recommendation stating "The role of Designated Authority in terms of the Betting Information Use Charges should be allocated to the three Codes of Racing and Sport New Zealand. The role of Designated Authority in respect of the Consumption Charges should be allocated to the Department of Internal Affairs or such other Department as is appropriate".6

80. Three submissions supported the role of Designated Authority for Betting Information Use Charges being given to the three Codes. A further two submissions also supported this, but noted the Codes should have the ability to appoint another group to collect fees on their behalf, and Wagering NZ should also be a Designated Authority.

81. One submission supported the sub-recommendation, but stated the Department’s involvement be limited to the enforcement and audit of contributions.

82. Four submissions from sports organisations opposed the suggestion that Sport New Zealand (Sport NZ) undertake this role. A sporting organisation noted "the fact that it is inappropriate that Sport NZ undertakes the designated authority role demonstrates the lack of understanding by the review of the structure of NZ sport and the lack of diligence the review undertook in determining the effect the recommendations would have on the sports concerned."

Recommendation 11: Repeal the $13 million 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 net profit

83. 104 submissions were received on this recommendation. 41 submitters supported the repeal of the betting levy outright, and a further 52 submissions appeared to provide qualified support. Three submissions opposed the recommendation outright, and a further eight provided additional comments or suggestions.

6 Refer p.32 of the Report.
84. Of those supporting the recommendation, little comment was provided beyond a clear statement of support. The 52 submissions that provided qualified support came from the sports sector. These submitters generally stated a more equitable approach was required. One stated “sport should receive a proportionate share of the retained funds based on the percentage of net betting revenue on sport outside of racing”.

85. The other suggestions came from racing bodies, clubs and Codes. GRNZ and HRNZ suggested that the betting levy should be distributed on a “gross betting revenue basis” between the Codes.

**Recommendation 12: Vest Race Club property and 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**

86. 105 submissions were 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. 69 submissions opposed the recommendation outright. Eight submissions provided additional comments without indicating any support or opposition, they largely mentioned that further work and clarification is required.

87. 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. Submitters acknowledged there would be resistance to this recommendation, with one commenting one would "hope that parochial interests and historical attachments will be put to one side in recognition of the bigger picture", and another noting "the carrot is always better than the stick". One submitter commented that while every attempt should be made to reach agreement, legislation should be available as an option.

88. Opposition to this recommendation came from individual Clubs opposed to the transfer of assets to the Codes, and from individuals concerned about the recommendation in general. Of particular concern to many opposed submitters, were the legal implications of this recommendation.

89. A majority of those who opposed this recommendation believed this would amount to theft, and would set an 'unwelcome' or 'dangerous' precedent. A number of submitters also posited that such a change would create resentment within the sector and legal challenges, therefore delaying any potential benefit. One submitter noted "Clubs will fight the proposal until they run out of funds leaving nothing left to be redistributed". A number of submitters also referred to potential issues regarding the Incorporated Societies Act 1908.
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. These submitters generally noted the importance of volunteers and local communities in the maintenance of the race courses, and many rejected the description of race courses in the Report as 'industry assets'. One submission noted "Hokitika Race Course, and many other race courses, area a "Community Asset" that exists today largely due to the input of hundreds of thousands of voluntary hours by members of the local community".

**Recommendation 13: Reduction of Thoroughbred race tracks**

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

91. 211 submissions were received on this recommendation. 39 submissions support the reduction of thoroughbred race tracks outright, and a further 67 submissions appeared to provide qualified support but raised concerns, largely regarding the race tracks selected for closure.

92. 34 submissions oppose the recommendation outright, and a further seven submissions opposed the recommendation but noted additional suggestions, including voluntary downsizing. A further 53 submissions opposed the closure of a specific race track. 11 submissions made additional comments or suggestions, including issues concerning the land the proposed closures will make available, and the effect on the Harness Code.

93. Submitters who supported for the reduction of Thoroughbred race tracks generally agreed that there are too many race tracks for the size of the country. A number also referred to earlier reviews of the racing industry, which came to the same conclusion but were not acted on. One submitter noted "for the last 20 years we have been hearing the same things but nothing happens". Submitters noted that appropriate consultation is required, but that if implemented correctly, race track consolidation will provide funds for the much-needed infrastructure upgrades.

94. Submitters opposed to this recommendation raised a number of concerns, with many viewing this as a "straight out land grab", and race track closures will effectively mean the closing of race clubs, and subsequently interest in racing will decline. Some submitters made comparisons to rugby, as one submitter commented "Rugby is strong in NZ because it is played in all corners of NZ, and as such has a strong National following. Racing used to be like that, and as you keep closing courses, more interest will be lost".

95. Those opposing also noted that race tracks play a significant role for their communities. Submitters highlighted the importance of race days for communities, and that race tracks are often home to other clubs and events, which will suffer if the tracks were to close.
96. A number of submissions raised concerns over the selection criteria used to determine which race tracks would close, and which would remain open. Clubs raised concerns that they were inadequately consulted, therefore analysis of the race tracks, in particular their condition, is flawed. The proposed increase in use of the remaining tracks was questioned by a number of submitters, in terms of whether the race tracks could handle the significant increase in racing and training.

Comments on specific closures and courses to remain open

97. In addition to submissions concerning the overall recommendation to reduce the number of thoroughbred race tracks generally, 158 submissions mentioned specific tracks proposed for closure and/or retention. Submissions on specific race tracks came from individuals, race clubs, community groups and organisations.

98. 140 submissions referenced one or more of the race tracks proposed for closure. All 20 race tracks proposed were commented on. However, the majority of comments concerned Rotorua (44), Timaru (26), Avondale (20), Hokitika (17), Reefton (16), Gore (15), Oamaru (15) and Greymouth (13). A significant proportion of the comments opposed the closures, and many commented on the effects these closures will have on racing in the South Island.

99. 78 submissions referenced one or more of the race tracks proposed for retention. The majority of comments were received for Kumara (24), Riccarton (15), Waikouaiti (14) and Tauranga (12). A significant proportion of the comments question the choice of these tracks for retention, for various reasons, including location, infrastructure and quality. A significant number of these references also relate to proposals from submitters of alternative race track closures.

100. A number of submitters raised the legal implications for the sale of race tracks, in particular Arawa Park in Rotorua, and Phar Lap Raceway in Timaru.

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7 One submission includes a petition with 61 signatures.
8 One submission includes letters of support from 30 trainers and patrons.
9 One submission includes 19 letters from individuals, clubs, organisations and trusts, supporting the submission and the retention of the Gore racecourse.
10 One submission includes two additional letters of support.
Recommendation 14: Upgrade facilities and tracks of remaining racecourses

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

101. 53 submissions were received on this recommendation. The feedback received by submitters on this recommendation appears related to their views on recommendations 12 and 13.

102. 20 submissions supported outright the recommendation to upgrade the remaining racecourses with funds generated from track closures. A further 14 submissions provided partial support, suggesting additional sources of funds for the upgrades. 13 submissions opposed the recommendation outright. Six submissions raised other comments and suggestions, including the suggestion funds should remain in the region they came from, the required upgrades are urgent and cannot wait for other venues to be sold, and the investment be given to fewer venues, in order to create world-class facilities.

103. Comments from those in support of this recommendation raised the importance of investment at the remaining racecourses, to bring them to the required standard. One submitter noted "It is essential that we present a polished and professional appearance".

104. Comments from the submitters opposed to this recommendation often mirrored their comments opposing recommendations 12 and 13. One submission stated, it is like "robbing Peter to pay Paul, when in the past Paul has not been careful with looking after what he had".

Recommendation 15: Construct three synthetic all-weather tracks

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

105. 89 submissions were received on this recommendation. 34 supported outright the construction of three synthetic all-weather tracks and/or the development of the Waikato Greenfields Project. A further 44 submissions provided qualified support. Eight submissions opposed the recommendation outright, and three made additional comments, largely concerning quality of the new tracks.

106. Of those supporting the recommendation, little comment was provided beyond a clear statement of support, or the benefit of a reduction in race cancellations.
107. Of those providing qualified support, a majority suggested a phased approach, building one synthetic all-weather track as a trial before committing to building the remaining two tracks. Concerns were also raised about the quality of the synthetic tracks and their ongoing maintenance costs, and whether or not they are suitable for racing, or for training only. Two submitters noted these upgrades would be a significant investment, and both the Greyhound and Harness Codes should also benefit from this level of investment.

108. Submitters who opposed the recommendation largely believed they were not required, or believed they were of inferior quality.

**Recommendation 16: Introduce processes for traceability from birth and the rehoming of the entire Thoroughbred herd**

Introduce robust processes to establish traceability from birth and the rehoming of the entire thoroughbred herd, as the foundation stone of the industry's ongoing animal welfare program

109. 43 submissions were received on this recommendation. 42 submissions supported outright the introduction of a traceability process for the Thoroughbred herd. One submission provided a neutral comment, questioning what was "envisaged" with this recommendation. There were no submissions made against this recommendation.

110. There was a strong level of support from the three Codes, the Clubs and members of the public. In particular, a number of submissions noted how this recommendation should even be extended to the other two Codes, Harness and Greyhound.

**Recommendation 17: 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

111. 53 submissions were received on this recommendation. 44 submissions agreed outright with the increase in thoroughbred prizemoney. No submissions directly opposed this recommendation. Nine submissions appeared supportive, but made additional suggestions, including increasing the prizemoney for the Harness and Greyhound Codes, and suggested further work is required in deciding how the increases are distributed amongst placeholders.

112. General comments amongst those supporting this recommendation referred to the high costs of owning Thoroughbred horses, and noting an increase in prizemoney will help attract new people to horse ownership.
Additional matter of the proposed Racing Industry Transition Agency

113. In his speech on the release of the Report, the Minister stated that he instructed officials to consider a Racing Industry Transition Agency. This would have an instrumental role in operational processes, such as changes in governance structures and racecourse consolidation.

114. Although not included within the Report itself, 65 submissions provided comments on this proposal. 10 submissions saw the benefit of a separate Agency, however most believed the NZRB and Codes should steer the transition, believing a separate Agency would slow down the process. 36 submissions from the Greyhound sector expressed concerns about the potential for a separate agency to have a Thoroughbred focus.
## Overview of submissions for each recommendation

<table>
<thead>
<tr>
<th>Recommendation</th>
<th>Submissions of support</th>
<th>Submissions of opposition</th>
<th>Neutral /additional comments</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1: NZRB becomes Wagering NZ</strong></td>
<td>46 submissions supported outright (40%); 56 submissions appeared to provide qualified support (49%)</td>
<td>5 submissions opposed outright (4%)</td>
<td>8 additional submissions provided additional comments (7%)</td>
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<tr>
<td>(Total submissions: 115)</td>
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<tr>
<td><strong>2: Formation of Racing NZ</strong></td>
<td>28 submissions supported outright (31%); 21 submissions appeared to provide qualified support (23%)</td>
<td>42 submissions opposed outright (46%)</td>
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<td>(Total submissions: 91)</td>
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<tr>
<td><strong>3: Composition and qualifications for directors of regulatory bodies</strong></td>
<td>33 submissions supported outright (78%); 7 appeared to provide qualified support (17%)</td>
<td>No submissions opposed outright</td>
<td>2 submissions provided neutral comments (5%)</td>
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<td>(Total submissions: 42)</td>
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<tr>
<td><strong>4: Performance and Efficiency Audit of NZRB</strong></td>
<td>39 submissions supported outright (83%)</td>
<td>2 submissions opposed outright (4%)</td>
<td>6 submissions provided additional comments (13%)</td>
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<td>(Total submissions: 47)</td>
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<tr>
<td><strong>5: Composition of distribution formula</strong></td>
<td>33 submissions supported outright (35%); 8 submissions appeared to provide qualified support (9%)</td>
<td>49 submissions opposed outright (53%)</td>
<td>3 submissions provided additional comments (3%)</td>
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<td>(Total submissions: 93)</td>
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<tr>
<td><strong>Sub-recommendation on payments to National Sporting Organisations (NSOs)</strong></td>
<td>0 submissions supported outright</td>
<td>No submissions opposed outright</td>
<td>49 submissions provided additional comments (100%)</td>
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<tr>
<td>(Total submissions: 49)</td>
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<tr>
<td><strong>6: Review of Racing Integrity Unit (RIU)</strong></td>
<td>41 submissions supported outright (95%)</td>
<td>2 submissions opposed outright (5%)</td>
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<td>(Total submissions: 43)</td>
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<tr>
<td><strong>7: Outsourcing of the TAB</strong></td>
<td>36 submissions supported outright (31%); 50 appeared to provide qualified support (43%)</td>
<td>20 submissions opposed outright (17%)</td>
<td>11 provided additional comments (9%)</td>
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<td>(Total submissions: 117)</td>
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<tr>
<td><strong>8: New wagering products</strong></td>
<td>38 submissions supported outright (91%)</td>
<td>3 submissions opposed outright (7%)</td>
<td>1 submission provided additional comments (2%)</td>
</tr>
<tr>
<td>(Total submissions: 42)</td>
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<tr>
<td><strong>Sub-recommendation on changes to class 4 gambling</strong></td>
<td>5 submissions supported outright (1%)</td>
<td>1,182 submissions opposed outright (1,079 submissions came via online form) (99%)</td>
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<tr>
<td>(Total submissions: 1,187)</td>
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<tr>
<td>Sub recommendation</td>
<td>Supporting Submissions</td>
<td>Opposing Submissions</td>
<td>Additional Comments</td>
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<tr>
<td>8.2 Sub recommendation on changes to NSO (Total submissions: 63)</td>
<td>4 submissions supported outright (6%)</td>
<td>59 submissions opposed outright (94%)</td>
<td></td>
</tr>
<tr>
<td>9: Intellectual Property (IP) (Total submissions: 43)</td>
<td>32 submissions supported outright (74%)</td>
<td>4 submissions opposed outright (9%)</td>
<td>7 submissions provided additional comments (16%)</td>
</tr>
<tr>
<td>10: Race Field and Point of Consumption Tax (Total submissions: 62)</td>
<td>56 submissions supported outright (90%)</td>
<td>1 submission opposed outright (2%)</td>
<td>5 submissions provided additional comments (8%)</td>
</tr>
<tr>
<td>Sub recommendation on Designated Authority (Total submissions: 10)</td>
<td>3 submissions supported outright (30%); 3 submissions appeared to provide qualified support (30%)</td>
<td>4 submissions opposed outright (40%)</td>
<td></td>
</tr>
<tr>
<td>11: Repeal $13 million betting levy (Total submissions: 104)</td>
<td>41 submissions supported outright (39%); 52 submissions appeared to provide qualified support (50%)</td>
<td>3 submissions opposed outright (3%)</td>
<td>8 provided additional comments (8%)</td>
</tr>
<tr>
<td>12: Vest Race Club property to Code regulatory bodies (Total submissions: 105)</td>
<td>13 submissions supported outright (12%); 15 submissions appeared to provide qualified support (14%)</td>
<td>69 submissions opposed outright (66%)</td>
<td>8 provided neutral comments (8%)</td>
</tr>
<tr>
<td>13: Reduce Thoroughbred race tracks (Total submissions: 211)</td>
<td>39 submissions supported outright (19%) and 67 submissions appeared to provide qualified support (32%)</td>
<td>34 submissions opposed outright (16%); 53 submissions opposed closure of specific race track(s) (25%); 7 submissions opposed and provided comments (3%)</td>
<td>11 submissions provided additional comments (5%)</td>
</tr>
<tr>
<td>14: Upgrade facilities and tracks (Total submissions: 53)</td>
<td>20 submissions supported outright (38%); 14 submissions appeared to provide qualified support (26%)</td>
<td>13 submissions opposed outright (25%)</td>
<td>6 submissions provided additional comments (11%)</td>
</tr>
<tr>
<td>15: Construct three synthetic all-weather tracks (Total submissions: 89)</td>
<td>34 submissions supported outright (38%); 44 appeared to provide qualified support (50%)</td>
<td>8 submissions opposed outright (9%)</td>
<td>3 submissions provided additional comments (3%)</td>
</tr>
<tr>
<td>16: Traceability from birth of Thoroughbred herd (Total submissions: 43)</td>
<td>42 submissions supported outright (98%)</td>
<td>No submissions opposed outright</td>
<td>1 submission provided additional comments (2%)</td>
</tr>
<tr>
<td>17: Increase Thoroughbred prizemoney (Total submissions: 53)</td>
<td>44 submissions supported outright (83%)</td>
<td>No submissions opposed outright</td>
<td>9 submissions provided additional comments (17%)</td>
</tr>
</tbody>
</table>

NB: Percentage figures have been rounded to the nearest whole number.