Proposal

1. This Cabinet paper is one of a suite of three that will collectively provide the Government’s first legislative response to the recommendations of the Review of the New Zealand Racing Industry (the Messara Report). This paper recommends that the Cabinet agree to support the overall intent of the Messara Report, and agree the broad proposed content of the two amendment Bills to be introduced in 2019 – the Racing Amendment Bill No 1 (Bill No. 1) and Racing Amendment Bill No 2 (Bill No. 2).

2. The two accompanying papers provide detailed information on the proposed content of Bill No. 1:
   2.1 Paper 2 – Policy decisions on transitional governance to drive change. This paper proposes new racing industry governance arrangements for the transition period leading up to the formation of the new industry structure.
   2.2 Paper 3 – Proposals for immediately increasing revenue for the racing industry. This paper addresses the racing industry’s immediate need for supplementary revenue to ensure it is financially sustainable into the future.

Executive summary

3. The New Zealand racing industry contributed $1.6 billion to the New Zealand economy in 2016/17\(^1\), but the racing industry is in a state of serious decline and this economic benefit is at risk. It is in the Government’s interests to revitalise the industry.

4. Mr Messara, an Australian thoroughbred expert, was commissioned by the Minister for Racing to conduct an independent, high-level assessment of the state of the New Zealand racing industry and reported that, without intervention, the industry is now at risk of suffering irreparable damage.

5. Mr Messara provided a package of recommendations that aim to address the identified decline by: enabling industry leadership and management to pursue more effective decision-making; incentivising investment in racing by providing the means by which prizemoney in the thoroughbred industry (and the other codes) can approximately double; and supplying the capital necessary for upgrading tracks and facilities.

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\(^1\) IER (February 2018) Size and Scope of the New Zealand Racing Industry. Commissioned by the New Zealand Racing Board
6. The Messara Report recommendations focus primarily on restoring the financial viability of the racing industry from a commercial perspective. The report emphasises the need for the industry to pivot towards a stronger focus on its economic and financial viability. The change will require bold and deliberate decision-making – with a clear focus on outcomes. Care needs to be taken to make this shift while still acknowledging the community underpinning of the industry.

7. The urgent need for reform of the racing industry drives the legislative priority for Bill No. 1, which is to be enacted by 30 June 2019. It is essential that the transitional provisions are enacted promptly to initiate the recovery process for the racing industry. These proposals will also address the racing industry’s immediate need for supplementary revenue to ensure it is financially sustainable into the future.

8. Cabinet agreed last November to the first stage of this work, that was to establish the Ministerial Advisory Committee for Racing (MAC) to drive and inform Government decisions on the recommendations of the Messara Report [CAB 18 MIN 0551 refers]. The MAC has since its establishment undertaken assessment and analysis of the 17 Messara recommendations (see Appendix A) and identified various proposals including those that require legislative change, and those that do not. The MAC is investigating how to operationalise the proposals and complete due diligence on them.

9. The MAC provided an interim report to the Minister for Racing on 28 February 2019, which has helped to inform this suite of Cabinet papers (see Appendix B). The MAC considers Messara’s recommendations provide a strong framework for taking the racing industry forward. A particular feature of the interim report was the MACs immediate focus on actions that address issues around the financial viability of the industry. With some minor variations, the advice from MAC aligns very closely with the key recommendations of the Messara Report.

10. The next stage is the first suite of legislative change, as set out in Bill No. 1 (and which is the subject of these three Cabinet papers), which the Minister for Racing proposes needs to be enacted by 30 June 2019. It includes reconstituting the New Zealand Racing Board (NZRB) as a transitional entity, Racing Industry Transition Agency (RITA), to deliver the functions of the NZRB; and some other changes that increase the financial sustainability of the racing industry. As this is a stepped change, while there will be some gains made, the full benefits of the reform of the racing industry will not be realised through the initial changes set out in Papers 2 and 3.

11. Bill No. 2 will proceed later in 2019 and will cover issues which will implement the remaining reforms, post-transition governance and other changes. Further analysis and advice on the content of Bill No. 2 is underway.

Background

Historic context

12. The racing industry is integral to the economic and social fabric of New Zealand. At the local level, racing has been seen as an important social and community activity - and to some extent this has come at a cost to the commercial focus the industry needs.

13. A regional dimension has infused the history of the racing industry, with a very large number of clubs and racecourses having been developed in regional areas with a strong community governance and ethos. These racecourses have provided support to the industry’s scale and scope over time. However, some of these venues have also been identified as barriers to industry sustainability and profitability.
14. In reviews in 1965 and again in 1970 (with the McCarthy Royal Commission on Racing), the number of small clubs in existence in regions led to the conclusion that “The industry’s finances demand a reduction in the spread of money spent on maintenance and improvements on an excessive number of racecourses”\(^2\). Despite these regular reports, reduction in the number of racing clubs in New Zealand has been strongly resisted.

**The current state of the racing industry**

15. The racing industry generated more than $1.6 billion in value-added contribution to the New Zealand economy in the 2016/17 year. However, the New Zealand racing industry is in a state of serious decline. Prize money is low, so returns to owners are significantly below other overseas racing jurisdictions (for example, total returns to New Zealand owners were 22.9 percent compared to New South Wales owners which were 48.1 percent). Foal crops are declining (from 5,264 in 1994/95 to 3,448 in 2016/17) which inhibits future race field sizes, leading to less wagering and less revenue for the racing industry. Industry infrastructure, including many racecourses, is also in a poor state.

16. Although total revenue has been increasing, betting profit margins reduced from 14.4 percent in 2008/09 to 12.7 percent in 2017/18. Figures from a 2010 NZRB-commissioned report indicated that racing generated around $1.6 billion in economic value.\(^3\) This is the same value as reported for the 2016/17 year, reflecting a loss of value in real terms.

17. Due to concerns about the state of the industry, in April 2018, the Minister for Racing commissioned Mr Messara, an Australian thoroughbred expert, to conduct an independent, high-level assessment of the state of the New Zealand racing industry. Mr Messara was asked to provide recommendations on future directions for the industry which were set out in the Messara Report.

**The recommendations of the Messara Report address identified issues**

18. Mr Messara noted that the racing industry has declined over time, and that it has reached a tipping point; without intervention, the industry was now at risk of suffering irreparable damage. Mr Messara drew on his experience driving the reform of the New South Wales racing industry, which has seen it revitalised through, for example, increased revenue generation from taxes flowing on to increased prize money for races\(^4\). He reported to the Minister for Racing on 31 July 2018 with a report that contained 17 main recommendations\(^5\).

19. The Messara Report recommendations aim to create a framework that will:

19.1 enable industry leadership and management to pursue more effective decision-making;

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\(^2\) Quoted in Messara Report p 44  
\(^3\) IER (October 2010) Size and Scope of the New Zealand Racing Industry. Commissioned by the NZRB  
\(^4\) Under Mr Messara’s leadership as Chairman of Racing NSW, the NSW Thoroughbred Racing Industry’s annual prizemoney doubled from $118 million to $203 million during his term.  
\(^5\) The main recommendations of the Messara Report are contained in Appendix A.
19.2 provide the means by which prizemoney in the thoroughbred industry (and the other codes: harness and greyhound) can approximately double to become more competitive with the Australian jurisdictions and support the financial viability of the industry; and

19.3 supply the capital necessary for upgrading tracks and facilities in the new operating environment with limited financial commitment from the Government.

20. Mr Messara intended his recommendations to be implemented as a complete package of initiatives which together will achieve a sustainable economic basis for the racing industry in future.

The racing industry needs to pivot to a stronger commercial orientation

21. Racing is an industry built on two foundational elements:
   • a strong community focus - much of the infrastructure supporting the industry is governed through community governance arrangements (this includes those who are involved with racing clubs and the upkeep and utilisation of venues some of which are small and remote); and
   • a commercial focus – the revenue from betting, gaming, publicity and broadcasting of racing and sports events and the breeding and training of animals, which in turn flows through to many involved in these activities.

22. The tension between these two elements could be seen as a significant contributor to industry decline. For example, much of the asset base is community governed and not necessarily effective in driving strong asset management through the overall ‘industry balance sheet’.

23. Previous attempts at reform have failed to effectively manage these tensions – including the governance changes made in 2003. Messara, on the other hand advocates through his recommendations for a much stronger commercial focus for the industry. This is needed for the reforms to succeed and the industry to become profitable.

24. The change required will require bold and deliberate decision-making – with a clear focus on outcomes to effectively pivot the industry to a more commercial footing. Care needs to be taken to shift the balance while still acknowledging the community underpinning of the industry. This shift is reflected in the following principles intended to guide the reform:
   • Overall reforms: the reforms are focussed on delivering a New Zealand Racing Industry that is financially sustainable, internationally recognised and competitive.
   • Production cycle: New Zealand has a reputation both domestically and internationally, for delivering high performing animals that attract investment.
   • Industry Governance: Industry governance is future-focused and is known for making the tough decisions for the industry.
   • Consumer: The New Zealand betting provider is internationally competitive and both meet and exceed the expectations and requirements of the New Zealand consumer.

25. This framework has been used to guide the broad analysis in the suite of papers. The full description of the guiding principles can be found in Appendix C.
Previous Cabinet Consideration

26. The Minister for Racing reported to Cabinet on the Messara Report and its key recommendations on 5 November 2019 [CAB 18 MIN 0551 refers]. At that time the Minister noted MAC was being established to drive and inform Government decisions on the recommendations of the Report. The MAC was subsequently established in December 2018 and is currently undertaking its important work.

27. At that time the Minister for Racing also indicated that he would be seeking funding for a transitional agency, alongside the repeal of the betting levy, as part of the Budget 2019 process.

28. **Public Submissions**

29. Public consultation was carried out during September and October 2018. Approximately 1,700 submissions were received. A high level summary of the submissions is attached at Appendix D. Overall, industry submitters are very supportive of the direction proposed in the Messara Report. There is broad support for the proposed changes to industry structures, changes to proposed revenue sources and areas for generation of additional revenue.

30. Of all the submissions, the highest number, on any single one of the Messara Report recommendations, related to opposition to the Messara proposals to provide for the TAB to extend its own ownership of Class 4 gaming operations. This issue is not considered in this suite of Cabinet Papers, rather it will be subject to policy consideration as part of Bill No. 2.

Responding to the Messara Report

The government needs to take the lead in moving the racing industry to a sustainable future

31. It is in the government’s interests to revitalise the racing industry. This will lead to increased employment opportunities, support for provincial communities and an increase in the industry’s contribution to the economy. This in turn will increase the Crown’s taxation revenue from the industry. Not proceeding with the reforms risks that these gains won’t be realised.

32. The Messara Report discusses many of the reasons for the decline of the racing industry. Some of these are due to competitive inroads into the betting industry from offshore. Some are about the governance structure needing to change to better focus the industry on its commercial activities. Others are due to the large number of racing venues and the challenge of upgrading facilities.

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6 Gaming machines in pubs and clubs (i.e. outside a casino) represent ‘Class 4’ gambling, which the Gambling Act 2003 classifies as high-risk, high-turnover gambling. Class 4 gambling may only be conducted by a corporate society and only to raise money for an authorised (e.g. community and non-commercial) purpose.
The Minister for Racing proposes that Cabinet support the overall intent of the recommendations of the Messara Report. To bring about the future state that Messara is seeking, a pragmatic, staged approach to reform is being proposed.

The first step towards this was setting up the MAC to inform and drive change. The Minister for Racing is taking advice from the MAC to ensure that expert industry knowledge informs the reforms and that risks and benefits are managed through the transition period.

The second step is to bring about the legislative reform for those recommendations that require it. The legislative change will take place in two parts: 35.1 Bill No. 1 (the subject of papers 2 and 3) – seeking the establishment of a Transitional Entity which will drive further governance change, transferring the existing NZRB functions to the new entity and introducing changes that will increase the industry’s overall revenue; and

35.2 Bill No.2 – which will establish the substantive industry governance arrangements (post transition) and respond to the remaining Messara recommendations that require legislative change.

Alongside the legislative changes proposed here, the MAC will be responding to those recommendations that do not require legislative change.

This approach reflects the urgency needed to address the identified issues, while also ensuring a robust change framework is put in place to manage risks and better position the industry for success. As this is a stepped change, the full benefits of the reform of the racing industry will not be realised through the initial changes set out in Papers 2 and 3. Further details regarding this approach are set out below.

The MAC is providing input into how this can best be achieved

Officials and the MAC have undertaken assessment and analysis of the various proposals. The MAC provided an interim report to the Minister for Racing on 28 February 2019, which has helped to inform this suite of Cabinet papers. This is attached as Appendix B. A particular feature of the interim report was the MACs immediate focus on actions to address issues around the financial viability of the industry.

The MAC considers Messara’s recommendations provide a strong framework for taking the racing industry forward. With some minor variations, the advice from the MAC aligns very closely with the key recommendations of the Messara Report. The MAC has also addressed some areas of detail and implementation issues which are not specified in the Messara Report. In developing its advice, the MAC has been working closely with industry bodies.

The MAC will provide a final report at the end of June 2019. Its views will be taken into consideration in the preparation of proposals which lead up to Bill No. 2. Cabinet papers for Bill No. 2 will seek decisions on the implementation of the remaining recommendations of the Messara Report not covered in this suite of Cabinet papers.

The MAC and officials are working on details including the final industry structure and functions of different entities. While this work on refining proposals which require legislative change proceeds there is an opportunity to refine implementation issues for other Messara recommendations not requiring legislative change. The proposed Racing Act Amendment Bills will enable the change Messara envisaged.
The Messara Report has identified that racing is at a tipping point and needs urgent change. The Minister for Racing supports the overall intent of the Report recommendations and proposes legislative amendments to commence their implementation.

Two amendment Bills are required to change substantial elements of the Racing Act 2003. These bills will include the legislative changes needed to implement the Messara Report recommendations where Cabinet agrees.

Other recommendations not requiring legislative change will be refined and progressed by the MAC and the Department, with Cabinet agreement sought as required. These are primarily for industry decision-making and implementation, such as working to develop synthetic all-weather tracks, and rationalising the number of race tracks in use in New Zealand.

Bill No. 1, which needs to be enacted by 30 June, will ensure the racing industry’s transition to a future state can get underway and it can receive the much needed additional funding that the MAC recommends. Specifically, Bill No. 1 will include the:

- establishment of a Transitional Entity or RITA to manage change to the new industry structure;
- transfer of existing NZRB functions to the new entity;
- extending betting product scope to cover sports without a National Sports Organisation and changes to mechanisms for distributing funds to the industry.

These elements relate to Messara Report recommendations one, part of recommendations five and eight, and recommendation ten. Recommendation eleven, which is to repeal the existing betting levy, will be implemented separately through amendments to tax legislation.

This is a stepped change, and the full benefits of the reform of the racing industry will not be realised through these initial changes being made in Bill No. 1. The MAC and officials are working on details including on the final industry structure and functions of different entities. The proposed Bill No. 2 planned for later in 2019 is likely to cover matters such as the functions and governance of the entities in the new industry structure and the proposals for management and funding of integrity bodies.

Consultation

Public consultation on the Messara Report was carried out in September and October 2018.

The MAC has been consulted throughout the policy development process. The MAC has also worked with the racing industry to help inform its interim report.

Agencies consulted in preparing this suite of papers were: Treasury, State Sector Commission, Inland Revenue Department, Ministry of Foreign Affairs and Trade, Ministry of Health, Te Puni Kokiri, Ministry of Justice, Sport New Zealand and Ministry of Primary Industries. Agency comments are included, where appropriate, in the relevant papers in this suite of Cabinet Papers.
Treasury comment

51. The proposals in this suite of papers have significant regulatory and financial implications for the Crown, the racing industry, and consumers and the public. The evidence supporting the problems identified and the case for the proposed interventions has not been presented here, so the nature and causes of the problems facing the industry are not clear. Further analysis of the problems, the intervention options, and the impacts expected would help inform Cabinet decision-making. In particular, this analysis could consider:

51.1 the risks relating to greater gambling harms as a result of the proposals, including any wider impacts on wellbeing;
51.2 the impacts on New Zealand consumers (gamblers), including whether they will face higher or lower costs;
51.3 the impact on overseas operators, including whether or not they may exit the New Zealand market;
51.4 the impact on the financial position of the New Zealand Racing Board;
51.5 the cumulative impact of the proposals for the sports and racing codes (for example, an additional $44 million per annum may be distributed to sports and racing codes as a result of the proposals, but it is not clear what impact this would have).

52. Without this analysis, it is difficult to assess whether these proposals will revitalise the industry as intended or whether the industry will continue to decline (as other factors may be driving this).

53. The proposals have significant fiscal implications for the Crown, driven primarily by the proposal to repeal the betting levy. This was last reduced in 2006 - from 20 per cent of betting profits to 4 per cent - with the aim of improving the economic performance of the racing industry and avoiding further decline. Repealing the levy would cost around $57 million over the next four years and is subject to decisions taken through the Budget 2019 process. There is also a risk that repealing this levy sets a precedent for levies on other gambling providers to be repealed (such as the gaming machine duty or casino duty).

Financial implications

54. The Minister for Racing agrees with Messara’s view that the racing industry has reached a tipping point, and that the status quo would be counter-productive as the industry is at risk of suffering irreparable damage. The Minister for Racing has included two bids in the Budget 2019 process to progress the reform of the racing industry. $3.5 million was sought to fund a transitional agency to manage change. A further budget bid of $57 million (Treasury forecast over four years) was sought to account for foregone revenue as a result of the proposal to repeal the betting levy. Further information on each of these bids is provided in papers 2 and 3.

Legislative implications

55. Proactively released by the Minister for Racing
56. Proposals in papers 2 and 3 have legislative implications and will be included in Bill No.1. Specific details of the legislative implications are provided in papers 2 and 3.

57. The current Racing Act 2003 binds the Crown. The proposed changes in the Racing Amendment Bill No.1 and No.2 will also bind the Crown.

Human Rights
58. There are no human rights issues associated with this paper.

Gender Implications
59. There are no gender implications associated with this paper.

Disability Perspective
60. There are no disability implications associated with this paper.

Impact Analysis
61. A Regulatory Impact Assessment has been completed and is attached at Appendix E.
62. The Department of Internal Affairs has assessed that the Regulatory Impact Assessment partially meets the requirements.

Publicity
63. There is a great degree of interest and expectation from industry in the proposals going forward. Following Cabinet decisions, an announcement will be made about the broad proposal for reform and the proposed contents of Bill No. 1.

Proactive Release
64. As per Cabinet Office Circular CO (18) 4 – Proactive Release of Cabinet Material: Updated Requirements, the Minister for Racing intends to proactively release this paper, subject to any redactions that may be warranted under the Official Information Act 1982, within 30 business days of decisions being taken. The relevant Regulatory Impact Assessment will also be published at the same time.

Recommendations
65. The Minister for Racing recommends that the Cabinet Economic Development Committee:

**A suite of papers to respond to the Messara Report recommendations**

1. **note** that this Cabinet paper is one of a suite of three that will collectively provide the Government’s first legislative response to the recommendations of the Review of the New Zealand Racing Industry (the Messara Report);
2. **note** the two accompanying papers provide detailed information on the proposed content of Racing Amendment Bill No. 1: including Paper 2 - Policy decisions on transitional governance to drive change, and Paper 3 – Proposals for immediately increasing revenue for the racing industry;

**Messara provides a prescription for revitalising the racing industry**

3. **note** that the New Zealand racing industry makes a valuable contribution to the New Zealand economy but is in a state of serious decline, putting the economic benefits it provides to New Zealand at risk;
BUDGET SENSITIVE

4. note that Mr Messara has provided a package of recommendations that seek to improve the state of the New Zealand racing industry and that the Minister for Racing has established a Ministerial Advisory Committee (MAC) to undertake due diligence on these recommendations and provide him with advice on its recommendations and implementation issues;

Cabinet has already agreed to some initial steps to respond to the Messara Report

5. note that on 5 November 2018 Cabinet noted the Messara report and agreed initial steps to respond to it including [CAB-18-MIN-0551 refers]:

5.1 the establishment of a Ministerial Advisory Committee;
5.2 additional policy capacity to consider and analyse the Messara Report’s recommendations;
5.3 that public submissions had been obtained on the Messara Report recommendations; and
5.4 that a further report to Cabinet would be made in March 2019 seeking decisions on legislative changes and the establishment of a transitional agency to drive changes agreed by Cabinet;

The industry needs to be placed on a sustainable footing

6. agree to the overall intent of the Messara Report as providing the best approach to delivering a New Zealand Racing Industry that is financially sustainable, internationally recognised and competitive;

7. note that care needs to be taken to shift the industry balance towards a commercial focus while still acknowledging its community underpinning;

8. note the principles intended to guide the reforms:

8.1 Overall reforms: the reforms are focussed on delivering a New Zealand Racing Industry that is financially sustainable, internationally recognised and competitive;
8.2 Production cycle: New Zealand has a reputation both domestically and internationally, for delivering high performing animals that attract investment;
8.3 Industry Governance: Industry governance is future-focused and is known for making the tough decisions for the industry; and
8.4 Consumer: The New Zealand betting provider is internationally competitive and both meet and exceed the expectations and requirements of the New Zealand consumer;

Treasury considers that further analysis would be helpful

9. note the Treasury views that it is difficult to assess whether the proposals will revitalise the industry, and identifying significant fiscal implications to the Crown;

The Legislative Programme contains two amendment Bills to advance Cabinet’s decisions

10. note that the recommendations of the Messara Report requiring legislative change will be implemented via two Bills amending the Racing Act 2003 proposed for introduction to Parliament in May 2019 (for Racing Amendment Bill No 1 (Bill No. 1)) and October 2019 (for Racing Amendment Bill No 2 (Bill No. 2));
BUDGET SENSITIVE

11. **agree** that Bill No. 1 will seek legislative change that:
   11.1 provides for new governance arrangements for the transition period leading up to the formation of the new industry structure in the racing sector (as detailed in Paper 2); and
   11.2 addresses the racing industry’s immediate need for supplementary revenue to ensure it is financially sustainable into the future (as detailed in Paper 3);

*Other recommendations*

12. **note** that the proposed repeal of the betting levy currently paid by the NZ Racing Board to the Crown, will be implemented through a separate tax amendment; and

13. **note** that the Minister for Racing intends to proactively release this Cabinet paper, subject to any redactions that may be warranted under the Official Information Act 1982, within 30 business days of decisions being taken.

Authorised for lodgement

Rt Hon Winston Peters

Minister for Racing
Appendix A: 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.
Appendix B: Interim Report on the Review of the New Zealand Racing Industry – Ministerial Advisory Committee
Appendix C: Guiding Principles for the Reforms

**Overall reforms**

The reforms are focussed on delivering a New Zealand racing industry that is financially sustainable, internationally recognised and competitive, and delivers real results for New Zealanders and the New Zealand economy.

**Production cycle**

New Zealand maintains and enhances its reputation both domestically and internationally, for delivering high performing animals and having a vibrant industry that investors look to invest in, and where animal welfare takes a whole of life approach.

**Industry Governance**

Industry governance is future-focussed and is known for making the tough decisions for the industry (taken at the right level of governance) considering the overall interest of the industry to New Zealand Inc. Effective industry governance will support investment and modernisation of track management, and ensure efficient administration of the industry.

**Consumer**

The New Zealand betting provider both meets and exceeds the expectations and requirements of the New Zealand consumer, including being effective in identifying and managing harm to consumers. The New Zealand provider is internationally competitive, by providing seamless service, ease of access and a range of betting options.
Appendix D: Submissions on the Messara Report - 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.

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.

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. 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;

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7 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.
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%).