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Vote: Racing

1. Sector Overview: Racing

Racing Portfolio

The Racing portfolio encompasses:

- the broad responsibility for the government's racing industry policy
- the statutory responsibility for the Racing Act 1971, including appointing members to:
 - the Racing Industry Board (RIB)
 - the Totalisator Agency Board (TAB).

Economic Impact of Racing

Racing in New Zealand has a significant economic impact in terms of the nation's GDP, employment and exports:

- Racing contributes 0.34% of New Zealand's GDP¹
- 5,800 full-time equivalents are employed in racing²
- Over 3,000 racehorses are exported annually for racing or breeding, valued at over \$150 million³.

Social Impact of Racing

In 1995, racing clubs had approximately 50,000 members. Many of the smaller clubs that offer one or two race days each year have strong community backing and run popular picnic meetings. Such clubs often depend on voluntary labour to run their meetings and maintain facilities, which provide a focal point for their communities. For the 2002/03 racing season:

- 70 galloping clubs were issued with 289 race day licences
- 50 harness racing clubs were allocated 229 licences
- 12 greyhound racing clubs received 254 licences.

¹ Economic Contribution of the Racing Industry, NZIER, 1995

² Ibid

³ Sourced from Statistics New Zealand 1999/2000 data

Racing and Sports Betting Turnover

An analysis of TAB and on-course (racing club) betting turnover over recent years shows a number of key trends:

- off-course race betting turnover maintained steady growth throughout the 1990s, but has plateaued at around \$1 billion per annum
- off-course turnover on New Zealand racing has declined by more than 12% since 1997. This decline has been offset by rapid growth in turnover on overseas racing, which now accounts for more than a quarter of total off-course turnover
- on-course race betting turnover has declined significantly, maintaining a downward trend from a peak of \$210 million in 1988 to \$77.7 million in 2001. Adjusting for inflation would accentuate the decline
- sports betting turnover has grown rapidly since its introduction in 1996 – it exceeded \$100 million in 2001/02, surpassing on-course race betting turnover for the first time.

TAB's Financial Performance and Returns to Racing

Racing in New Zealand is dependent on a gambling product for its continued viability. The Racing Act requires the TAB to pay its profits to the Racing Industry Board for distribution to the racing industry, mainly the racing clubs. Racing clubs use their funding for a variety of purposes including stake monies and the maintenance and development of club facilities.

The TAB's financial performance for 2000/01 can be summarised as follows:

- TAB betting turnover - \$1,065.2 million
- winning dividends returned to punters - \$856.3 million (or 80.4% of turnover)
- deduction of levies (\$4.6 million) and sporting body royalties (\$1.3 million)
- payment of duty and GST - \$35.7 million and \$21.9 million respectively
- TAB total operating revenue - \$155.1 million (this includes additional income of \$9.7m)
- the TAB's total operating revenue was applied as follows:
 - TAB operating expenses - \$94.8 million
 - Club product payment (i.e. payment to racing clubs) - \$56.7 million
 - RIB costs - \$2.5 million
 - TAB surplus - \$1.1 million (applied to the development of off-course betting facilities).

From the above summary, it can be noted that for 2000/01, racing clubs received \$56.7 million from the TAB, and sporting bodies received betting royalties of \$1.3 million.

2. Strategic and Legislative Framework: Racing

The government maintains its involvement in racing to encourage industry performance and a sense of social responsibility. The statutory framework encourages industry bodies to exercise their significant powers responsibly, to foster the interests of a wide range of industry participants, and to be aware of the risks inherent in the gambling products on which the industry's viability is based. Racing is a job-rich industry which is strong in the regions and contributes to export earnings. The Department is a key link between government and the racing industry, and provides advice based on industry and gaming sector expertise.

Act	Key Features
Racing Act 1971	Provides the framework for the regulation and governance of the racing industry. Establishes the RIB, TAB and Judicial Control Authority. Permits totalisator and fixed-odds race and sports betting. Requires the RIB to distribute the TAB's monopoly betting profits to the racing clubs. Requires the RIB to provide information and advice on problem gambling.
Gaming Duties Act 1971	Imposes specific duties on all major gaming operators.

3. Minister's Role: Racing

The Minister, under the Racing Act 1971:

- appoints all members to the RIB and the TAB on the nomination of industry groups or other organisations or persons as prescribed by the Act
- tables the annual reports and statements of intent of both the RIB and TAB
- must approve or veto terms of reference and the auditor for the five-yearly performance and efficiency audits of the RIB and TAB
- may request the RIB to investigate any matter
- may veto RIB decisions on the rules of racing.

In addition the Minister often receives submissions from organisations and individuals on a wide range of issues facing the industry, such as taxation, gaming and racing administration. In many cases, the Minister is viewed as a final "court of appeal" when stakeholders (e.g. racing clubs) disagree with the decisions of the various decision-making bodies (e.g. the allocation of race dates or funds). The Minister has no statutory role in these matters because most decision-making powers are delegated to industry bodies.

The Minister meets with Australian state and territory racing ministers to discuss issues affecting the industry in this part of the world. The Australasian Racing Ministers' Conference meets once or twice a year. Recent agenda items have included the impact of Internet gambling and equine disease management.

4. Department's Role: Racing

The Department provides policy advice and administrative support to the Minister, in respect of both the Minister's statutory responsibilities outlined above and any ad hoc issues. In 2001/02, the Department provided advice and support on a range of topics including the Racing Bill, the Gaming Review, taxation issues, the economic development strategy, and board appointments. The Department also provides draft replies to Ministerial correspondence, Parliamentary Questions and Official Information Act requests.

Under the Racing Act, the Secretary for Internal Affairs has the power to appoint inspectors of totalisators. Although this power dates to the days of on-course mechanised totalisators (rather than the TAB's unified computerised system), it provides a useful means of checking the integrity of betting systems, should the need arise.

5. Key Issues and Themes for the next Three Years: Racing

The Racing Bill

The Racing Bill repeals the existing Racing Act and substitutes a simpler piece of legislation. It disestablishes the RIB and TAB and establishes a replacement body. The Bill is awaiting its second reading. There are industry expectations that the Bill will be enacted and implemented early in the next Parliamentary term.

The Responsible Gambling Bill

The Responsible Gambling Bill which is the responsibility of the Minister of Internal Affairs, has significant implications for racing because the racing industry's viability largely depends on a gambling product. The Bill is by and large favourable to the racing industry. It preserves the TAB's monopoly on race and sports betting, it gives the TAB a statutory monopoly on remote interactive gaming, and it restricts some of racing's competitors for the betting dollar. The Bill was carried over to the new Parliament.

Taxation

Taxation matters are the responsibility of the Revenue Minister. Industry representatives regularly make representations to Ministers on both totalisator duty (there is an industry expectation that the government will reduce the rate of totalisator duty to produce what it considers "a level playing field") and on the depreciation rates for bloodstock (breeders routinely argue for more favourable rates for bloodstock to encourage investment in the breeding industry).

Economic Development

In 2001/02, the Minister for Racing and the Minister for Economic Development sponsored an economic development strategy for the racing and bloodstock industry. The strategy is a partnership between the government and the industry. PricewaterhouseCoopers (PWC) undertook a scoping study of the industry as the basis for determining a successful strategy and practical action plan. PWC recommends a more fundamental reform of racing's governance arrangements (a rules-based commercial model) than that proposed in the Racing Bill. It also recommends the establishment of a working party to further develop this idea.

6. Crown Entities and Statutory Bodies: Racing

The Racing Act 1971 establishes three statutory bodies (the Racing Industry Board, the Totalisator Agency Board and the Judicial Control Authority). There are no Crown entities, as defined by the Fourth Schedule of the Public Finance Act 1989, in the racing industry.

Racing Industry Board (RIB)

The RIB determines the deductions from the betting dollar and the distribution of TAB profits, allocates totalisator licences (thus determining the racing calendar), and may change or rescind any rule of racing that affects the welfare, image or integrity of racing. (See Appendix for Membership listing).

Totalisator Agency Board (TAB)

The TAB was established in 1950 to resolve problems associated with illegal off-course bookmaking. Today it has an effective monopoly on both race betting and sports betting. All TAB profits are returned to the industry (mainly the clubs) through the RIB. (See Appendix A for Membership listing).

Judicial Control Authority (JCA)

The JCA, established in 1996, appoints judicial panels for harness and thoroughbred race meetings and to hear non-raceday enquiries relating to the rules of racing (e.g. horse ownership issues, racehorse doping, etc). It also appoints tribunals to hear raceday and non-raceday appeals. Greyhound racing judicial panels are appointed in accordance with the rules of greyhound racing, and are not part of the racing judicial system mandated by statute. (See Appendix A for Membership listing).

7. Key Stakeholders in this Sector: Racing

Statutory Bodies

As noted in the previous section, the Racing Act 1971 establishes:

- the Racing Industry Board
- the Totalisator Agency Board
- the Judicial Control Authority.

The Recognised Industry Organisations

The Racing Act 1971 identifies over 140 “Recognised Industry Organisations”. These include the three racing code bodies, numerous racing clubs (galloping, harness or greyhound) and several sector groups:

Racing Code Bodies

The governing bodies of the three racing “codes” are New Zealand Thoroughbred Racing, Harness Racing New Zealand and the New Zealand Greyhound Racing Association. The racing code bodies are sometimes referred to as the “conferences” because they are associations of racing clubs that meet at an annual conference. The code bodies are responsible for the rules of racing, and for the licensing and registration of all racing participants (e.g. horses, greyhounds, trainers, breeders, jockeys, drivers etc.).

The codes’ main officeholders and executives are as follows:

New Zealand Thoroughbred Racing

Chairman - Murray Acklin

Chief Executive - Allan Fenwick

Harness Racing New Zealand

Chairman - Jim Wakefield

General Manager - Edward Rennell

New Zealand Greyhound Racing Association

President - Jeremy Kennerley

Chief Executive - Jeff Lenz

Racing Clubs—Galloping (including Hunt), Harness and Greyhound

Racing clubs promote, conduct and control race meetings in accordance with the relevant rules of racing. They are mostly incorporated societies.

Sector Groups

The following sector groups represent the interests of various industry professionals and other participants, and are recognised by the Racing Act 1971:

- New Zealand Racehorse Owners' Federation
- New Zealand Thoroughbred Breeders' Association
- New Zealand Trainers' Association
- New Zealand Jockeys' Association
- New Zealand Standardbred Breeders' Association
- New Zealand Harness Racing Trainers' and Drivers' Association
- New Zealand Trotting Owners' Association.

Other Stakeholders:

Other racing industry stakeholders include:

- New Zealand Thoroughbred Marketing Ltd (NZTM) – a body established in 1997 to market the New Zealand thoroughbred industry to domestic and international markets. NZTM is funded by industry contributions
- New Zealand Bloodstock Ltd - New Zealand's premier thoroughbred sales company. In January / February each year it runs the national yearling sales series at Karaka, which is the focal point of New Zealand's bloodstock activities
- Racing Support New Zealand - a predominantly rural racing lobby group
- The Problem Gambling Committee - a charitable trust funded partly by a levy imposed on non-casino gaming machines and partly by contributions from the racing industry, the casinos and the Lottery Grants Board. Its primary function is the purchase of problem gambling services. It receives statutory recognition under the Gaming and Lotteries Act 1977.

Appendix A

Racing Industry Board Membership

Membership	Nominating Organisation (s)	Membership	
		Commences	Expires
Rick Bettle, President (Wellington)	Gallopers groups	1 August 1994	31 July 2001
Thayne Green (Auckland)	Greyhound Racing Assn	1 September 1994	31 July 2001
Peter Henson (Hamilton)	NZ Thoroughbred Racing	1 August 1997	31 July 2003
Charlie Hunter (Cambridge)	Harness Racing NZ	1 August 2000	31 July 2003
Tom Jamison (Otaki)	Gallopers groups	1 August 1997	31 July 2003
Gilbert Myles (Auckland)	Harness racing groups	1 August 1997	31 July 2001
Stephen O'Driscoll (Dunedin)	Other organisation/person	1 August 1999	31 July 2002
John Reedy (Westport)	Racing groups	1 August 2000	31 July 2003
Jan Skinner (Auckland)	Gallopers groups	1 August 2000	31 July 2003
David Williams, QC (Auckland)	Gallopers groups	1 August 1996	31 July 2002

(Acting) Chief Executive: Jim Leach

NB: The terms of a number of RIB members have expired. Prior to the Racing Bill's introduction, Cabinet noted that board members would remain in office until the Racing Bill was enacted and the board wound up.

Totalisator Agency Board Membership

Membership	Nominating Organisation (s)	Membership	
		Commences	Expires
Rick Bettle, President (Wellington)	Ministerial appointment	1 August 1995	31 July 2001
Tom Jamison (Otaki)	Racing Industry Board	1 August 2000	31 July 2003
Bill Kermode (Christchurch)	Harness racing groups	1 August 2001	31 July 2002
Barry Neville-White, V. Pres. (Auckland)	Ministerial appointment	1 August 1999	31 July 2002
Peter Rosanowski (Kaiapoi)	Greyhound groups	1 August 2000	31 July 2003
Peter Vela (Papakura)	Gallopers groups	1 August 1997	31 July 2002

Transition General Manager: Jim Leach

NB: The terms of a number of TAB members have expired. Prior to the Racing Bill's introduction, Cabinet noted that board members would remain in office until the Racing Bill was enacted and the board wound up.

Judicial Control Authority Membership

Membership	Appointment Details
Chairperson – John Grant	'A person who is or has been a barrister and solicitor of the High Court of not less than 7 years' practice', appointed by NZ Thoroughbred Racing and Harness Racing NZ
Herbie Dyke Paul Kenny) appointed by the Chairperson of the JCA and the) President of New Zealand Thoroughbred Racing
Lew Christensen Garry Thompson) appointed by the Chairperson of the JCA and the) President of Harness Racing New Zealand

Executive officer: Maureen Stanbury

