

STAKEHOLDER QUESTIONS FOR NZTR – JUNE 2021

Submitter	Summary of issue and supporting evidence	Summary of response from NZTR
New Zealand Thoroughbred Breeders Association	<p>The NZTBA asks that further industry wide consultation is undertaken before this rule is implemented as there are potential ramifications arounds GST and exports.</p> <p>Change of Ownership needs to also be looked into and discussed further with Sale companies and agents.</p> <p>The NZTBA is support of better traceability and transparency.</p> <p>More information on how Australia deals with these issues needs to be communicated. (and the pros and cons)</p>	<p>NZTR expects to provide a detailed proposal on this issue in due course and looks forward to the NZTBA’s feedback as a key stakeholder with a valuable perspective.</p>
	<p>Information on providers and how the NZTBA Breeding Course will be managed going forward as an NCEA Level 3 and 4 which also qualifies for the apprenticeship scheme.</p> <p>The NZTBA asks that they are fully consulted on this process going forward.</p>	<p>The NZTBA is a key stakeholder in relation to breeding training, education, and development, and will be fully involved in discussions about potential future arrangements.</p>
Hawkes Bay Racing	<p>Clubs were advised at the RCAG of the planned distribution of any increased funding from the TAB, with 10% of any increased earmarked for the Club Funding Model. We were subsequently advised that</p>	<p>These concerns are acknowledged. NZTR is also confronting an increase in base costs. Nevertheless, we are satisfied that HBRI’s concerns have been addressed in the industry funding policy NZTR has announced.</p>

	<p>this was going to be made up of Digital Turnover(Effectively leakage which has increased over the past 5 years), “The Races” increase which was agreed to earlier and the extra Race meetings so effectively there is no tangible increase to Racing Clubs.</p> <p>As Clubs we went 8 years without an increase in the Funding model until last year. Are there any plans to review the distribution of any surplus for the Funding Model as with the rise in the minimum wage all Racing Club base costs have risen significantly?</p>	
<p>Marlborough Racing Club</p>	<p>There is growing concern expressed by leading trainers that transport horses across Cook Strait about the future of the facility at Waterlea if the codes do not continue to support it.</p> <p>Where do trainers stable their horses with a track to exercise them if due to bad weather the ferries are not sailing, or it is too rough to take horses.</p> <p>What contingency plans does the code have? What assistance is the code prepared to provide for the maintenance of this facility?</p>	<p>NZTR acknowledges the concerns that have been expressed. NZTR is open to discussing appropriate contingency plans but does not consider that a subsidy to the Waterlea facility is likely to be the best option.</p> <p>We note in this context that the Club’s facility was resettled on a charitable trust in May 2020 and assume that arrangements for the ongoing maintenance of the facility were considered by the Club at that time.</p>
<p>New Zealand Trainers’ Association</p>	<p>It is understood that with the introduction of the Australian SNS system, that horses will need to be named prior to starting in a trial. The NZ Trainers’ Association is opposed to this proposal. There are a number of ramifications we take issue with:</p>	<p>NZTR looks forward to receiving a considered response from the NZTA once it has had the opportunity to consider the proposal change in full.</p> <p>It is not considered likely that the change would lead to a shortage of names.</p>

	<p>1. Taxation. 2. Cost 3. By naming a horse, it means it is taken out of availability, even if the horse should perform at trials and be subsequently sold overseas or retired without a start.</p>	
New Zealand Thoroughbred Racehorse Owners Federation	<p>Until further information is received around full reasons / justification; NZTROF is opposed to the change in policy that horses will need to be named prior to starting in a trial!</p>	<p>NZTR looks forward to receiving a considered view from the NZTROF once it has had the opportunity to consider the proposed change in full.</p>
	<p>Has Racing NZ been set up?</p>	<p>Racing New Zealand was established by the Racing Industry Act 2020 on 1 August 2020.</p>
	<p>Who are the current Board members?</p>	<p>Jason Fleming (NZTR), Sean Hannan (GRNZ) and John Coulam (HRNZ). The Codes are discussing the appointment of the independent directors and expect appointments to be made by early August.</p>
	<p>Except as provided by the relevant section, the Board of Racing NZ may regulate its own procedure! Has a Terms of Reference been developed or agreed between the three codes?</p>	<p>Yes.</p>
	<p>Why NZTR requesting Expression of Interest? Should it not be RACING NZ or joint request from the 3 codes!</p>	<p>NZTR has considered these comments and is comfortable that seeking expressions of interest for persons suitable for NZTR to propose for appointment to the RNZ Board is an appropriate course of action.</p>

		The other Codes have also called for nominations.
	The establishment of Racing NZ is crucial to implement the commercial aspects of the Racing Industries Act. Racing NZ should have the responsibility to enter into commercial agreements with TAB NZ covering performance and distributions on behalf of the codes and become the designated authority to transition the Race Fields operation and establish and operate the consumption charges.	NZTR agrees that the establishment of RNZ creates opportunities for cooperation with the other Codes for mutual benefit.
	Racing NZ will then control the funding of the racing industry and through this commercial agreement with the TAB drive its performance.	It is not likely that NZTR would delegate the determination of the Code Funding Agreement to RNZ. In accordance with the Act, the Codes have agreed a Funding Agreement for the next three years.
	Without a commercial agreement with the TAB setting out requirements from the codes in respect to information about distributions then unfortunately Codes are going to have to rely on sections 62 and 63 of the Act to obtain this crucial information from the TAB and then provide scrutiny of the material they have been provided after the fact.	This is not correct. NZTR receives regular performance and operational updates from TAB NZ and meets regularly discuss areas of joint interest. NZTR does not rely solely on TAB NZ's statement of intent, business plan, and annual report to understand TAB NZ's performance.
	NZTR and the codes will not be able to undertake their planning until they receive this information from the TAB and complete their due diligence.	This is not correct. NZTR commenced planning for the 2021-22 racing year ahead of receiving TAB NZ's draft statement of intent, business plan, and five-year plan which are currently being considered.

	NZTR are the largest code and we should lead the way. We hear that Sports NZ is ahead of the 8 ball and meeting with the TAB around Sports betting and profits.	NZTR is well aware that TAB NZ and Sports NZ are in discussions. This is because the payment model for sports betting is a commission-based model which is partially governed by regulations and is entirely different to the statutory entitlement to TAB NZ profit held by the Codes.
	Both NSW and Victoria have reviewed POC tax on wagering and betting! Where are we at?	A POCC rate has been set and the scheme will be in place from 1 August 2021.
	What has come out of DIA consultation on proposed regulations? Hopefully NZTR submitted!	NZTR submitted on the POCC regulations. The bulk of NZTR's views were supported by the DIA and have been reflected in the regulations which have now been Gazetted.
	Racing NZ needs to be lead designated agency here not DIA!	It would have been helpful if the NZTROF had explained how RNZ taking on additional responsibilities in relation to racing POCC would benefit the industry. As it is NZTR is comfortable with the current position, in which the scheme is administered by the DIA, for the time being.
	(Quote: Minister of Racing letter of to RITA “ Ensure as much money as possible goes to additional prizemoney – not racing industry overheads and maintain the current level of overall funding to the codes as a baseline)	RITA was abolished on 1 August 2020. This Letter of Expectation was in any event superseded in September 2020 by a new Letter of Expectation to TAB NZ.

	<p>The distributions required by the codes for 20/21 to maintain current baseline and stakes at previous year's levels is \$151m (\$59.5m NZTR share)</p>	<p>NZTR anticipates receiving at least \$80m in revenue from TAB NZ by 31 July 2022. This includes TAB NZ distributions, duty reductions, RBIUC and similar agreements entered into by TAB NZ on NZTR's behalf, and Class 4 gaming distributions.</p>
	<p>The TAB recently announced an increase to their fixed monthly distributions for the 2021 season (\$117m) by a further \$5m (Announced in May) taking the total of expected distributions to the codes to \$122m compared to a required baseline funding of \$151m.</p>	<p>This comment misunderstands the basis by which the \$151m figure was arrived at. At the time it was inclusive of duty reductions, international agreements, and other payments by TAB NZ to the Codes. It was not, and has never been, entirely funded out of TAB NZ's domestic wagering operation.</p> <p>The fact that TAB NZ is in a position to increase distributions from its domestic operation above what was forecast last year is good news. It does not mean, as the NZTROF seems to imply, that there is now a shortfall between TAB NZ's forecasts and its performance. On the contrary, it is essentially a windfall benefit to the Codes.</p>
	<p>If there was commercial agreement in place between the codes, the TAB would have been required to meet the required distribution level of \$151m.(Clause 15(h) of the Racing Industries Act) "to enter into commercial agreements with TAB NZ"</p>	<p>This comment assumes that section 15(h) of the Racing Industry Act 2020 empowers NZTR to force TAB NZ to enter into a commercial agreement on whatever terms NZTR dictates. This is not correct.</p> <p>In any event, NZTR does not think it credible that TAB NZ would have entered into (or been permitted to enter into) an agreement with the Codes committing to any particular distribution level ahead of performance, given the clear expectations the Minister's latest Letter of Expectations set for TAB NZ around responsible financial management.</p>
	<p>The Codes and NZTR have missed the boat here and been remiss in their duties of not progressing a comprehensive agreement with the TAB covering distributions and the TAB's performance!</p>	<p>This comment is rejected. As explained above it appears to be based on a misunderstanding as to how the industry is funded.</p>

	<p>The forecast of the expected TAB surplus for 2021 would enable the TAB to meet this level of distributions; however with the absence of a commercial agreement specifying distribution levels the codes are exposed to the TAB not providing for any further distributions prior to year-end.</p>	<p>TAB NZ will exceed its forecast distribution for 2020/21.</p>
	<p>This prospect now leaves NZTR and the other codes in a difficult position having to potentially rely on the proceeds from race-fields and the levy reduction (forecast of \$25m of which ~\$ 15m would be in the hands of NZTR by year end.).</p>	<p>This does not place the Codes in a difficult position because TAB NZ's forecasts have always included proceeds from race fields agreements entered into on the Codes' behalf and the distribution of duty reductions, and NZTR has planned on that basis.</p>
	<p>The anticipated NZTR \$15m share of the race-fields and levy reduction should be earmarked for increase in stakes for the long suffering owners.</p>	<p>NZTR has released the first phase of its prizemoney strategy for 2021/22.</p>
	<p>As previously pointed out the absence of a commercial agreement with the TAB covering distribution requirements leaves NZTR and the other codes at the mercy of the TAB to fund our operations.</p>	<p>This is the practical reality of operating the industry on a commercial footing as envisaged by the new Act. There is no 'commercial agreement' which can ever guarantee that TAB NZ will be able to pay out specified distributions unless it has earned the money to do so.</p>

	<p>IS NZTR PUTTING PRESSURE ON THE TAB TO MEET BASELINE FUNDING AS THE MINISTER REQUESTED? TAB NZ has the means and surplus to do this!</p>	<p>NZTR is not aware of any such request from the Minister.</p>
	<p>Its time NZTR done something for owners and the Industry.</p>	<p>NZTR made an initial stakes announcement on 5 July 2021. Further announcements will follow in due course.</p>

NZTR Members Council contact details

Northern: Geoff Vazey (g.vazey@xtra.co.nz) and Karyn Fenton-Ellis MNZM (karyn@teakauracing.com)

Central: Paul Humphries (paul@humphries.kiwi) and Eliot Cooper (cooperdeleste@gmail.com)

Southern: Jeff McCall (jeffrey.mccall@paprills.co.nz) and Howard Clarke (howard@advance-agriculture.co.nz)

Sector: John Thompson (NZTBA - john@richhillstud.co.nz), Nigel Tiley (NZTA/NZJA – nwt@xtra.co.nz) and Bernard Hickey (hickeyb@xtra.co.nz)