

This document outlines strategic reforms and recommendations to ensure the sustainable growth and financial stability of New Zealand's horse racing industry.

Industry Reform Urgently Needed for Growth

The New Zealand racing industry has significant growth potential but faces structural challenges that threaten its sustainability without comprehensive reform.

- Industry's current model unlikely to realize growth potential.
- Focused on improving governance, infrastructure, funding, and strategic assets.
- Without change, risks include decline in funding, participation, and export strength after 2027/28.
- Five key recommendations aim to create a sustainable, self-funding industry.

Unified Governance to Improve Industry Efficiency

Proposes establishing a single accountable body responsible for strategy, funding, calendar, and marketing to eliminate inefficiencies.

- Current governance is fragmented, causing decision delays and duplication.
- Ireland's unified model increased industry impact by 34% (2016-2022).
- The new body will have statutory power, overseeing strategy, funding, and marketing.
- Existing code entities will be integrated into the new governance structure.
- Expected outcomes include reduced administrative costs, clearer accountability, and aligned industry priorities.

Centralised Property Vehicle for Asset Management

Supports creating a central Racing Property Vehicle to pool and manage racing venues and assets.

- Industry assets valued at over \$700 million are fragmented and underutilised.
- The vehicle would invest in infrastructure like all-weather tracks and night-racing facilities.
- Clubs can voluntarily transfer land rights for equity stakes, retaining autonomy.
- Under-utilised land could be repurposed or sold for reinvestment.
- This approach aims to prevent capital wastage, improve asset management, and align investments with strategic priorities.

Tax and Regulatory Reforms to Boost Breeding

Recommends modernising tax and regulatory settings to address declining foal crops and supply issues.

- Foal crops down 10% since 2020; thoroughbred down 22% in 10 years; harness down 30% since 2020.

- Fewer foals lead to smaller fields, weaker wagering, and lower stakes.
- Proposed reforms include accelerated depreciation for broodmares and yearlings, standard progeny valuation of \$2,500, pass-through GST for co-ownerships, and expanding syndicate investor limits from 5 to 15.
- International examples (France, Ireland, US) show these policies can increase breeding and investment.
- Reforms aim to reverse the negative flywheel, increase supply, and strengthen export markets.

Crown Funding for Racing Integrity

Advocates for government funding of the Racing Integrity Board to ensure independence and reduce conflicts.

- Current user-pays model creates conflicts of interest, risking integrity and animal welfare.
- Crown funding aligns with models used in other sports, ensuring impartial oversight.
- Guarantees transparency, external accountability, and public trust.
- Removes industry influence over integrity decisions, safeguarding welfare standards.

Modernising TAB NZ for Revenue Diversification

Calls for legislative amendments to enable TAB NZ to innovate and compete in new betting markets.

- Current settings limit product development, risking offshore leakage.
- Modernisation would allow online casinos, in-race betting, and new bet types.
- Diversified revenue streams are essential for sustained industry funding.
- Reduces black market activity by offering regulated, attractive products.
- Ensures TAB NZ remains competitive and adaptable to technological changes.

Industry Challenges and Structural Barriers

Highlights core issues like shrinking horse supply, excess venues, fragmented governance, and ageing participants.

- Foal crops declining: thoroughbreds down 10% since 2020; harness down 30%.
- Venue underutilisation leads to high maintenance costs and deteriorating facilities.
- Governance fragmentation causes decision delays and inefficiencies.
- Community resistance to venue closures hampers rationalisation.
- Industry faces financial fragility with a \$50 million annual deficit projected.
- Administrative costs are high at \$91 million annually, 58% of total stakes.
- Capital assets worth over \$700 million are fragmented, risking wastage.

- Participant and audience demographics are aging, threatening future supply and engagement.

Structural Barriers Hindering Industry Progress

Identifies key systemic issues like fragmented governance, property rights, duplicated functions, and misaligned incentives.

- Multiple decision layers create veto points and inefficiencies.
- Club land rights block venue rationalisation and capital reinvestment.
- Separate admin teams and outdated IT systems increase costs and slow delivery.
- Incentive misalignment discourages collaboration and system-wide improvements.
- These barriers have repeatedly prevented meaningful reform over decades.

The Opportunity Through Industry Reform

Reforms can transform the industry into a self-sustaining, growth-oriented sector.

- Higher wagering, stronger tax revenue, and regional jobs.
- Potential NZ\$50 million annual economic uplift by 2030 from increased breeding.
- Immediate benefits include cost savings (~\$15 million/year), stabilised foal crops, and infrastructure investment.
- Improved racing calendar and black type pattern to maximise wagering.
- Ensures the industry remains a valuable export and employment contributor.

Summary of Key Recommendations

Proposes five interconnected reforms to break decline cycles:

- Unified governance body with statutory powers.
- Centralised Racing Property Vehicle for asset management.
- Tax and regulatory reforms to support breeding investment.
- Government funding for Racing Integrity Board.
- Legislative changes for TAB NZ to diversify revenue and innovate.
- These reforms aim to restore industry growth, sustainability, and international competitiveness.

Industry Financial Sustainability Challenges

The current financial model risks depleting reserves and undermining industry infrastructure if no reforms are made.

- ~\$130 million of industry reserves (through TAB NZ and codes) will be used over the next decade to fund deficits.
- Reserves are earmarked for critical infrastructure upgrades.

- Maintaining current stakes levels will lead to reserves declining from \$234 million today to \$104 million by FY35.
- No growth in participant returns and minimal capacity for infrastructure investment.
- Short-term option involves a 19% stake cut to clear deficits, reducing stakes by \$130 million in FY27 and risking industry decline.
- Alternative approach preserves stakes at a cost of \$62 million reserves utilization, with reserves declining by FY35.

Impact of Industry Reform on Economy

Thoroughbred and harness racing contribute NZ\$1.72 billion in GDP and support 12,579 jobs, with significant risks if reforms are delayed.

- Industry supports NZ\$1.72 billion of value-added and over 12,500 jobs.
- Without reform, contraction of racing footprint could cause large economic losses.
- Declining foal crops: thoroughbreds down 10% since 2020, 22% over 10 years; harness down 30% since 2020, 44% over 10 years.
- Starter numbers projected to fall by 18% for thoroughbreds and 32% for harness by 2035.
- Current funding forecast remains below minimum guarantees, risking further declines.
- Industry reserves and infrastructure are under threat, risking further economic impact.

Benefits of Unifying Racing Governance

Unifying governance reduces costs, improves decision-making, and streamlines functions, enabling industry growth.

- Potential annual savings of \$20 million by FY27 through rationalisation and consolidation.
- Eliminates duplicated functions (e.g., finance, HR, legal) across codes and clubs.
- Current governance is fragmented, leading to inefficiencies and lack of accountability.
- 122 functions identified, with 92 suitable for immediate consolidation.
- Silos between regions and venues hinder strategic planning and infrastructure upgrades.
- Fragmented decision-making prevents venue rationalisation and asset maximisation.

Strategic Property Vehicle for Venue Management

A centralised property vehicle would rationalise venues, unlock capital, and direct investment efficiently.

- Creates over \$700 million of industry capital.
- Clubs can transfer land assets into the vehicle for equity stakes.

- Under-utilised land could be sold or repurposed, with proceeds reinvested.
- Clubs retain autonomy but must participate to access infrastructure funding.
- Ensures coordinated investment in revenue-generating assets like tracks and training centres.
- Protects club investments and optimises asset value.

Tax and Regulatory Reforms for Breeding

Reforms aim to boost breeding supply, competitiveness, and investment through tax incentives.

- Reduce broodmare depreciation from 6-7 to 4-5 years; allow 100% immediate write-down for high-value broodmares.
- Extend immediate 100% write-down to yearlings with safeguards; resale within 12 months triggers clawback.
- Set progeny value at NZ\$2,500 for homebred foals, replacing cost basis.
- Confirm pass-through GST treatment for co-ownerships.
- Expand syndicate investor limit from 5 to 15; review every 3 years.
- These measures support increased breeding, with potential to add 500 broodmares by 2030, boosting NZ\$50 million in economic value.
- Aim to reverse declining foal crops and strengthen the breeding industry.

Funding Racing Integrity through Government

Transfer funding of the Racing Integrity Board to the Crown to ensure independence and impartiality.

- Removes conflict of interest inherent in user-pays model.
- Ensures integrity decisions are driven solely by public interest.
- Aligns with sport integrity models, providing external accountability.
- Protects animal welfare and integrity from commercial pressures.
- Guarantees impartial oversight and maintains public trust.

Modernising TAB NZ Legislation

Amend legislation to enable revenue diversification and product innovation.

- Allows introduction of online casinos, in-race betting, and new bet types.
- Ensures TAB NZ can adapt to technological changes and customer preferences.
- Supports medium- and long-term industry funding.
- Reduces black market activity by offering regulated products.
- Enhances competitiveness and future-proofing of betting operations.
- Ensures revenue streams are sustainable and aligned with industry needs.